交銀國際
BOCOM International

交銀國際控股有限公司
BOCOM International Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 3329

GLOBAL OFFERING

交銀國際

Joint Sponsors

交銀國際 BOCOM International | CICC 中金香港证券 | 海通國際 HAITONG | 中信建投國際 China Securities International

Joint Global Coordinators

交銀國際 BOCOM International | CICC 中金香港证券 | 海通國際 HAITONG | 中信建投國際 China Securities International | HSBC | 中信 CITIC CLSA Securities

Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International | CICC 中金香港证券 | 海通國際 HAITONG | 中信建投國際 China Securities International | HSBC | 中信 CITIC CLSA Securities

ICBC 工銀国际 | 農銀國際 ABC INTERNATIONAL | BOC INTERNATIONAL | 建銀国际 CCB International

國泰君安國際 GUOTAI JUNAN INTERNATIONAL | 招銀国际 CMB INTERNATIONAL | 廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED | CMS 招商證券國際

IMPORTANT

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

BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED

交銀國際控股有限公司

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**666,680,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**66,668,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**600,012,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$3.10 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock Code	**:**	**3329**

Joint Sponsors

Joint Global Coordinators

Joint Bookrunners and Joint Lead Managers

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 "*Documents Delivered to the Registrar of Companies and Available for Inspection*" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around 11 May 2017 (Hong Kong time) and, in any event, not later than 18 May 2017 (Hong Kong time). The Offer Price will be not more than HK$3.10 and is currently expected to be not less than HK$2.60 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by 18 May 2017 (Hong Kong time) between the Joint Representatives (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Joint Representatives, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$2.60 to HK$3.10) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Company at www.bocomgroup.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "*Structure of the Global Offering*" and "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in "*Risk Factors*". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "*Underwriting*".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares are being offered, sold or delivered only outside the United States in offshore transactions pursuant to Regulation S under the U.S. Securities Act.

5 May 2017

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing (a) the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus and (b) the **BLUE** Application Forms to the relevant Qualifying BOCOM H Shareholders without them being accompanied by a printed prospectus, unless the relevant Qualifying BOCOM H Shareholders have elected to receive corporate communications in printed form under BOCOM's corporate communications policy or have not been asked to elect the means of receiving BOCOM's corporate communications, in which case the printed prospectus will be despatched to them separately. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.bocomgroup.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public and Qualifying BOCOM H Shareholders may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017 at the following locations:

1. any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
	Kennedy Town Sub-Branch	G/F., 113–119 Belcher's Street, Kennedy Town
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F., East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong
New Territories	Tseung Kwan O Sub-Branch	Shop Nos. 252A, 252B & 253 on Level 2, Metro City Phase I, Tseung Kwan O
	Tsuen Wan Sub-Branch	Shop G9B and G10–11 on G/F., Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Shatin Sub-Branch	Shop No. 193, Level 3, Shatin Lucky Plaza, Shatin

2. any of the following offices of the Joint Global Coordinators:

BOCOM International Securities Limited

9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

China Securities (International) Corporate Finance Company Limited

18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central, Hong Kong

CLSA Limited

18/F, One Pacific Place, 88 Queensway, Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every designated branch of Bank of Communications Co., Ltd. Hong Kong Branch where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed, as set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

Despatch of **BLUE** Application Forms to Qualifying BOCOM H Shareholders on or before	Friday, 5 May 2017
Hong Kong Public Offering and Preferential Offering commence and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, 5 May 2017
Latest time for completing electronic applications under (i) the **White Form eIPO** service and (ii) the **Blue Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, 11 May 2017
Application lists open[3]	11:45 a.m. on Thursday, 11 May 2017
Latest time for (a) lodging **WHITE**, **YELLOW** and **BLUE** Application Forms, (b) completing payment for (i) **White Form eIPO** applications and (ii) **Blue Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s), and (c) giving electronic application instructions to HKSCC	12:00 noon on Thursday, 11 May 2017
Application lists close[3]	12:00 noon on Thursday, 11 May 2017
Expected Price Determination Date	Thursday, 11 May 2017
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, 18 May 2017
(2) Results of allocations in the Hong Kong Public Offering and the Preferential Offering to be available through a variety of channels as described in the section headed "*How to Apply for Hong Kong Offer Shares and Reserved Shares — E. Publication of Results*" from	Thursday, 18 May 2017
(3) Announcement containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.bocomgroup.com** from	Thursday, 18 May 2017
Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from	Thursday, 18 May 2017
Despatch of Share certificates[4] and refund cheques/**White** Form and **Blue** Form e-Refund payment instructions (if applicable) on or before	Thursday, 18 May 2017
Dealings in the Shares on the Stock Exchange expected to commence on	Friday, 19 May 2017

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service or the **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 11 May 2017, the application lists will not open or close on that day. See "*How to Apply for Hong Kong Offer Shares and Reserved Shares — D. Effect of Bad Weather on the Opening and Closing of the Application Lists*".

(4) The Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date, which is expected to be Friday, 19 May 2017, provided that the Global Offering has become unconditional in all respects. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, see "*Structure of the Global Offering"* and *"How to Apply for Hong Kong Offer Shares and Reserved Shares*", respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

The **BLUE** Application Forms have been despatched to all Qualifying BOCOM H Shareholders. In addition, Qualifying BOCOM H Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under BOCOM's corporate communications policy.

If a Qualifying BOCOM H Shareholder has elected to receive corporate communications from BOCOM in printed form under BOCOM's corporate communications policy or has not been asked to elect the means of receiving BOCOM's corporate communications, a printed copy of this prospectus in the elected language version(s) will be despatched to such Qualifying BOCOM H Shareholder.

If a Qualifying BOCOM H Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from BOCOM, an electronic version of this prospectus which is identical to the printed prospectus can be accessed and downloaded from the websites of the Company at **www.bocomgroup.com** and the Stock Exchange at **www.hkexnews.hk** under the section headed "*HKEXnews > Listed Company Information > Latest Listed Company Information*". A Qualifying BOCOM H Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to BOCOM c/o Computershare Hong Kong Investor Services Limited or by email to BOCOM at bankcomm.ecom@computershare.com.hk. BOCOM will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying BOCOM H Shareholder, free of charge, although such Qualifying BOCOM H Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

Qualifying BOCOM H Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Joint Global Coordinators as set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*". Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying BOCOM H Shareholders as specified in this prospectus.

CONTENTS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Information contained on our website, located at ***www.bocomgroup.com****, does not form part of this prospectus.*

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

There are risks associated with any investment in the Offer Shares. We set out some of the particular risks in investing in the Offer Shares in "Risk Factors" beginning on page 25 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a well-established and the only integrated platform for securities and related financial services of BOCOM in Hong Kong, one of the State-Owned Joint Stock Commercial Banks. Founded in 1998, we were one of the earliest licensed securities firms with a PRC background in Hong Kong and have weathered many economic and industry cycles as well as regulatory reforms. Our objectives are to offer one-stop securities and financial services for our clients and to expand our international operations. Leveraging BOCOM's long established client base in Hong Kong and the PRC, wide brand recognition and industry expertise, we have been able to capitalise on our competitive strengths to increase client adhesion and create value for our clients and shareholders.

We believe that one of our core competitive strengths is our ability to offer comprehensive and integrated securities and financial products and services to our clients. Our principal business lines are:

- **Securities Brokerage and Margin Financing**. We execute trades on behalf of our clients in stocks, bonds, futures, options and other tradable securities and offer margin financing services to provide leverage to clients' securities transactions.

- **Corporate Finance and Underwriting**. We provide one-stop corporate finance and underwriting solutions to our corporate clients, including IPO sponsorship, financial advisory, as well as underwriting (equity and debt) and placing services.

- **Investment and Loans**. We invest in equity and fixed income securities and other financial products for our own account. In addition, we may extend structured financing and loans to our clients to meet their various financing needs. Furthermore, we also invest in equity of private companies for our own account.

- **Asset Management and Advisory**. We provide comprehensive asset management and advisory services to our clients, comprising mutual fund management, specialised asset management, private equity fund management and investment advisory.

We also benefit from our strong equity research capabilities, which have supported all of our business lines and added value to our products and services. We and our research team have received a number of awards in recognition of our outstanding business performance and research capabilities, the most recent of which include the following:

Year	Awards	Organiser/Media
2016	Best Hong Kong Share Securities Firm (最佳港股券商)	qq.com (騰訊)
2016	Best IPO Sponsor (最佳IPO項目保薦人獎)	China Financial Market (《中國融資》)
2016	Top 3 Best Independent Research Securities Firm (最佳獨立研究券商前三名)	Asiamoney (《亞洲貨幣》)
2016	Top 3 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前三名)	Asiamoney (《亞洲貨幣》)
2016	Top 10 PRC Strategist (A share and B share) (最佳中國 (A股及B股) 策略師前十名)	Asiamoney (《亞洲貨幣》)

Year	Awards	Organiser/Media
2015	Best Securities Firm Brand in Hong Kong (最佳香港品牌券商)	hexun.com (和訊網) (SEEC) Media Group Limited (財訊傳媒)
2015	China Securities Golden Bauhinia Awards – Best Investment Bank (中國證券金紫荊獎最佳投行)	Ta Kung Pao (《大公報》)
2015	Most Popular Securities Firm for Investors in the PRC and Hong Kong & Securities Firm with Best Research Team (中港兩地最受投資者歡迎證券商、傑出研究團隊證券商)	Hong Kong Commercial Daily (《香港商報》)
2015	Top 5 Hong Kong Strategist (non-H share, other) (最佳香港 (非H股、其他) 策略員前五名)	Asiamoney (《亞洲貨幣》)
2015	Top 10 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前十名)	Asiamoney (《亞洲貨幣》)
2014	Best Investment Bank with a PRC Background in Hong Kong & Best Securities Firm Brand in Hong Kong (香港最佳中資投行、最佳香港品牌券商)	hexun.com (和訊網)
2014	Top 10 Overseas IPO Lead Underwriters of PRC Companies (中國企業海外上市主承銷商十強)	Zero2IPO Group (清科集團)

In addition, we are a Group B Stock Exchange Participant, and, according to the HKEX, in 2016, we, acting as a sponsor for Hong Kong IPO deals on the Main Board, ranked 14th by deal number among all securities firms in Hong Kong, and ranked 9th by deal number among all securities firms with a PRC background in Hong Kong. See "*Industry Overview*" beginning on page 49 of this prospectus.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

- one-stop platform with comprehensive securities and financial services
- core platform for overseas capital market services of BOCOM supported by its wide brand recognition and industry expertise
- dedicated corporate finance and underwriting team with outstanding execution capabilities
- strong and award-winning securities research team
- fast growing asset management and advisory business
- prudent and comprehensive risk management and internal control
- experienced senior management and a strong professional team

BUSINESS STRATEGIES

We strive to become a financial services institution with a comprehensive product and service portfolio and internationalised operations that serves our clients globally and meets their various needs for securities and financial services. Our specific strategies include the following:

- continue to strengthen our principal business lines and attract talented professionals
- further develop our "capital-based" businesses and M&A financial advisory business to increase synergies and cross-selling capabilities among our business lines

- enhance our international business platform and expand our global business
- enhance our risk management system, internal control and IT capabilities

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables present our summary consolidated financial information for the years or as at the dates indicated. This summary has been derived from our consolidated financial information set forth in the Accountant's Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information" beginning on page 123 of this prospectus.

Summary Consolidated Statements of Profit or Loss

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Revenue			
— Commission and fee income	343.5	690.7	486.8
— Interest income	370.8	393.0	366.6
— Proprietary trading income	39.6	9.9	169.9
Other income	28.0	47.0	29.7
Total revenue and other income	**781.9**	**1,140.6**	**1,053.0**
Total expenses	**(726.9)**	**(722.9)**	**(659.4)**
Operating profit	**55.0**	**417.7**	**393.6**
Share of results of associates	6.6	10.4	9.9
Gain on disposal of subsidiaries	—	5.1	—
Gain on disposal of a joint venture	7.7	—	—
Profit before taxation	**69.3**	**433.2**	**403.5**
Income tax expense	(45.6)	(82.4)	(52.5)
Profit for the year	**23.7**[(1)]	**350.8**	**351.0**

Note:

(1) In 2014, we made full provision of HK$271.0 million for a bridge loan. Without taking into account such provision, our profit in 2014 would have been HK$294.7 million. See "*Financial Information — Principal Components of Consolidated Income Statements and Results of Operations — Total Expenses — Impairment losses — Comparisons between 2015 and 2014*".

Summary Consolidated Statements of Financial Position

	As at 31 December		
	2014	2015	2016
	(HK$ in millions)		
Non-current assets	276.8	1,678.5	3,289.2
Current assets	6,096.5	7,117.8	6,890.1
Total assets	**6,373.3**	**8,796.3**	**10,179.3**
Non-current liabilities	200.0	1,441.6	1,296.5
Current liabilities	2,871.2	3,709.8	4,896.7
Total liabilities	**3,071.2**	**5,151.4**	**6,193.2**
Total equity	**3,302.1**	**3,644.9**	**3,986.1**

Summary Consolidated Statements of Cash Flows

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Net cash (used in)/generated from operating activities	(413.1)	401.2	(948.9)
Net cash used in investing activities	(105.4)	(1,274.6)	(1,498.4)
Net cash generated from financing activities	604.3	1,417.1	2,092.5
Net increase/(decrease) in cash and cash equivalents	**85.8**	**543.7**	**(354.8)**
Cash and cash equivalents at the beginning of the year	233.7	317.7	858.9
Effect of exchange rate changes on cash and cash equivalents	(1.8)	(2.5)	(1.7)
Cash and cash equivalents at the end of the year	**317.7**	**858.9**	**502.4**

Key Financial and Operating Data

The following table sets forth certain key indicators of our profitability for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions, except percentages)		
Operating profit	55.0	417.7	393.6
Profit for the year	23.7	350.8	351.0
Net margin(1)	3.0%	30.8%	33.3%
Return on assets(2)	0.4%	4.6%	3.7%
Return on equity(3)	0.7%	10.1%	9.2%

Notes:

(1) Net margin is calculated by dividing profit for the year by total revenue and other income.

(2) Return on assets is calculated by dividing the profit for the year by the average balance of total assets at the beginning and the end of such year.

(3) Return on equity is calculated by dividing the profit attributable to Shareholders of the Company for the year by the average balance of total equity attributable to Shareholders of the Company at the beginning and the end of such year.

	As at 31 December		
	2014	2015	2016
Current ratio(1)	2.1 times	1.9 times	1.4 times
Gearing ratio(2)	70.8%	103.0%	146.7%

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Gearing ratio is calculated by dividing total borrowings by total equity. Our gearing ratio increased from 31 December 2014 to 31 December 2015, and further to 31 December 2016, primarily due to the increased financing needs required to fund our expanding businesses which were capital intensive.

The following table sets forth our segment revenue and other income both in absolute amounts and as a percentage of total revenue and other income, as well as the segment margin, for the years indicated:

	Year ended 31 December								
	2014			2015			2016		
	Segment revenue and other income	Percentage of Total	Segment Margin[1]	Segment revenue and other income	Percentage of Total	Segment Margin[1]	Segment revenue and other income	Percentage of Total	Segment Margin[1]
	(HK$ in millions, except for percentages)								
Securities brokerage and margin financing	619.3	79.2%	47.1%	737.6	64.7%	39.0%	489.2	46.4%	25.1%
Securities brokerage[2]	250.0	32.0%	16.6%	344.6	30.2%	14.8%	157.3	14.9%	(34.6)%
Margin financing	369.3	47.2%	67.7%	393.0	34.5%	60.3%	331.9	31.5%	53.5%
Corporate finance and underwriting	95.9	12.3%	26.3%	345.6	30.3%	50.4%	216.5	20.6%	30.9%
Investment and loans	46.7	6.0%	(489.5)%	9.9	0.9%	(267.7)%	204.6	19.4%	62.9%
Asset management and advisory	9.8	1.2%	(429.6)%	34.7	3.0%	(88.8)%	129.4	12.3%	59.8%
Others	10.2	1.3%	85.3%	12.8	1.1%	100.0%	13.3	1.3%	(18.8)%
Total	**781.9**	**100.0%**	**3.0%**	**1,140.6**	**100.0%**	**30.8%**	**1,053.0**	**100.0%**	**33.3%**

Notes:

(1) Segment margin is calculated by dividing the segment profit before taxation by the segment revenue and other income, for the same year.

(2) The segment margin for our securities brokerage business was 16.6%, 14.8% and negative 34.6% in 2014, 2015 and 2016, respectively. The decreasing segment margin during the Track Record Period was primarily affected by the fluctuations in segment revenue, which in turn largely relies on the level of activity of the stock market. In 2016, primarily due to a general decline in trading activities in the Hong Kong stock market compared to 2015, our segment revenue decreased by 54.4% in 2016 compared to 2015, which in turn, led to a negative segment margin in the same year. In order to increase our segment margin for securities brokerage business, we have taken measures to control the segment costs and continually endeavour to diverse our source of segment revenue of securities brokerage business to reduce the reliance on the Hong Kong stock market. For details, see "*Financial Information — Summary Segment Results — Securities Brokerage and Margin Financing — Securities Brokerage*".

The table below sets forth a breakdown of revenue and other income of our investment and loans business (after inter-segment elimination) for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Equity and fixed income investment	39.7	9.8	169.9
Proprietary trading income	39.7	9.8	169.9
Others	0.0	—	0.0
Structured finance and loans	7.0	0.1	34.7
Interest income	1.6	—	34.7
Others	5.4	0.1	—
Direct equity investment	—	—	—
Total segment revenue and other income of our investment and loans business	**46.7**	**9.9**	**204.6**

For a discussion of our segment results, see "*Financial Information — Summary Segment Results*" beginning on page 140.

The following table sets forth certain of our key operating data for the years or as at the dates indicated:

	As at or for the year ended 31 December		
	2014	2015	2016
Securities brokerage trading value[1] (*HK$ in billions*)	147.2	193.9	95.9
Average brokerage commission rate[2] (*bps*)	13.5	15.1	13.1
Balance of margin loans (*HK$ in millions*)	4,548.1	4,913.3	5,123.3
Loan-to-margin ratio[3] *(%)*	116.9	129.7	126.3
Loan-to-value ratio[4] *(%)*	22.4	35.2	30.3
Offering size of equity securities underwritten or placed (*HK$ in millions*)	27,237.6	89,777.3	106,395.8
Offering size of debt securities underwritten (*HK$ in millions*)	3,119.7	1,585.7	2,093.4
Average commission rate for equity underwriting transactions[5] *(%)*	2.8	2.1	2.0
Average fee rate for equity placing transactions[6] *(%)*	2.0	1.4	0.9
Average fee rate for debt underwriting transactions[7] *(%)*	0.3	0.3	0.5
Average rate of return on equity and fixed income investment[8] *(%)*	14.8	1.1	6.3
AUM (*HK$ in millions*)	453.2	3,968.4	13,843.3

Notes:

(1) For the avoidance of doubt, the total trading value discussed here excludes futures, other exchange-tradable securities and IPO subscriptions, which are not measured by trading value.

(2) Average brokerage commission rate equals fee and commission income from our securities brokerage business divided by the securities brokerage trading value, for the same year.

(3) Loan-to-margin ratio refers to the ratio of the total amount of margin loan balance as at the dates indicated to the margin value of the underlying securities pledged as collateral as at the same dates.

(4) Loan-to-value ratio refers to the ratio of the total amount of margin loan balance as at the dates indicated to the market value of the underlying securities pledged as collateral as at the same dates. As at 31 December 2014, 2015 and 2016, a material part of the aggregate market value of our collateral was made up of securities listed on the Main Board with a market capitalisation of less than HK$10.0 billion, which amounted to 33.9%, 65.1% and 73.2%, respectively, of the aggregate market value of our collateral as at the same dates.

(5) Average commission rate for equity underwriting transactions refers to the simple average commission fee rates of our equity underwriting projects that were completed in the years indicated. The relevant commission rate is the basic commission rate as set out in the respective underwriting agreements. In limited circumstances where the commission rate is not available in the underwriting agreement, we compute the commission rate by dividing the commission fee by the funds raised for that project.

(6) Average fee rate for equity placing transactions refers to the simple average fee rates of our equity placing projects that were completed in the years indicated. The relevant fee rate is the basic fee rate as set out in the respective placing agreements. In limited circumstances where the fee rate is not available in the placing agreement, we compute the fee rate by dividing the fees we earned from the project by the funds raised through us for that project.

(7) Average fee rate for debt underwriting transactions refers to the total revenue from debt underwriting divided by the total amount of debt securities underwritten by us in the years indicated.

(8) This figure is a ratio of net gains from securities investment activities to monthly average initial investment costs used by such activities.

In addition, in our asset management and advisory business, the management fee rate we charged (generally as a percentage of the underlying AUM) during the Track Record Period was generally between 0.60% and 1.50% for our mutual fund management business, generally between 0.20% and 1.50% for our specialised asset management business, and generally between 0% and 2.00% for our private equity fund management business. The fee rate for our investment advisory business is determined on an individual basis considering various factors of the transactions, and is subject to negotiation. In 2014, 2015 and 2016, our average management fee rate was 1.24% for our mutual fund management business, 1.50%, 0.80% and 0.74% for our specialised asset management business, respectively, and 1.00%, 1.00% and 0.77% for our private equity fund management business, respectively, which was calculated by computing a simple average of the fee rates in the asset management schemes for each sub-segment. When an asset management scheme has multiple fee rates for different classes, the fee rate of such scheme is calculated by computing a simple average of the fee rates of each class.

Our operational performance is highly correlated to the performance of the Hong Kong stock market. Favourable stock market conditions in Hong Kong could boost investors' confidence, resulting in increases in securities trading, margin financing and corporate finance and underwriting activities. This may lead to increases in our commission and fee income from our securities brokerage and corporate finance and underwriting businesses, as well as our interest income from our margin financing business. Favourable market conditions may also lead to increases in the value of our trading and investment positions in the equity and fixed income

investment business, as well as the AUM of our asset management portfolio. In contrast, adverse stock market conditions in Hong Kong may negatively affect our business, results of operations and financial condition.

RECENT DEVELOPMENTS

Subsequent to 31 December 2016, the Hong Kong securities industry has been continually impacted by the volatility in the global financial markets, the economic cycle of Hong Kong and the slowdown of economic growth in the PRC. The securities market also faces challenges amid various factors, such as the increase in the benchmark interest rate in the United States, leadership changes in several key countries and areas, ongoing depreciation pressure on Renminbi as well as developments following the "Brexit" vote.

The trading value of our securities brokerage business increased for the three months ended 31 March 2017 compared to the same period in 2016. For our margin financing business, the number of our margin clients increased as at 31 March 2017 compared to 31 December 2016. For our corporate finance and underwriting business, since 31 December 2016 and up to the Latest Practicable Date, we had completed two IPO projects, of which we acted as the sole sponsor and global coordinator for one project. During the same period, we had also completed one equity placing transaction and four debt underwriting transactions. Our overall investment position of the equity and fixed income investment portfolio in our investment and loans business increased as at 31 March 2017 compared to 31 December 2016, due primarily to the capital appreciation of the underlying assets of our equity portfolio. Furthermore, the AUM for our asset management and advisory business increased as at 31 March 2017 compared to 31 December 2016.

The Directors confirm that, since 31 December 2016 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position.

In 2017, there may be an increase in our operating expenses, such as our staff costs, which may affect our results of operation in 2017. This statement is forward-looking in nature. See "*Forward-Looking Statements*" on page 24 of this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK$2.85, being the mid-point of the Offer Price Range of HK$2.60 to HK$3.10, we estimate that we will receive net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by the Company in relation to the Global Offering) of approximately HK$1,794.8 million, if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 45% of the net proceeds, or approximately HK$807.6 million, is expected to be used for expanding our margin financing business;
- approximately 15% of the net proceeds, or approximately HK$269.2 million, is expected to be used for expanding our asset management and advisory business;
- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for expanding our investment and loans business;
- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for developing our IT infrastructure and internal control systems;
- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for attracting and retaining talent as well as optimising our human resources structure; and

- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for working capital and general corporate purposes.

For more details, see "*Future Plans and Use of Proceeds*" beginning on page 205 of this prospectus.

OFFER STATISTICS

The statistics in the following table are based on the assumption that: (a) the Global Offering has been completed and 666,680,000 Offer Shares have been issued; and (b) the Over-allotment Option has not been exercised.

	Based on an Offer Price of HK$2.60	Based on an Offer Price of HK$3.10
Market capitalisation of the Shares	HK$6,933.4 million	HK$8,266.7 million
Unaudited pro forma adjusted consolidated net tangible assets per share(1)	HK$2.11	HK$2.23

Note:

(1) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in "*Appendix II — Unaudited Pro Forma Financial Information*".

RELATIONSHIP WITH THE BOCOM GROUP

BOCOM is the ultimate controlling shareholder of the Company. BOCOM was founded in 1908 and is the first nationwide state-owned joint stock commercial bank in the PRC. The H shares and A shares of BOCOM have been listed on the Stock Exchange (stock code: 3328) and the Shanghai Stock Exchange (stock code: 601328) since 2005 and 2007, respectively. BOCOM is a major financial services provider in the PRC and provides a broad range of corporate and retail banking products and services on its own account and through its wholly-owned subsidiaries, non wholly-owned subsidiaries and associates. Its scope of business comprises corporate banking, personal banking, treasury business and other businesses.

Immediately following the completion of the Global Offering, BOCOM (through its wholly-owned subsidiaries) will have an interest in approximately 75% of the Shares in issue (assuming the Over-allotment Option is not exercised) and approximately 72.29% of the Shares in issue (assuming the Over-allotment Option is exercised in full). Accordingly, the Company will remain as a subsidiary of BOCOM, and BOCOM together with its wholly-owned subsidiaries BOCOM (Nominee), Bank of Communications Trustee Limited, Kiu Fai Company Limited and Expectation Investment will be the controlling shareholders of the Company. See "*Relationship with the BOCOM Group*" beginning on page 168 of this prospectus.

Details of the continuing connected transactions between the BOCOM Group and the Group following the Listing are set out in "*Connected Transactions*" beginning on page 181 of this prospectus.

THE SPIN-OFF AND THE PREFERENTIAL OFFERING

BOCOM believes that the spin-off and separate listing of the Group from BOCOM (the "Spin-off") will better position the BOCOM Group and the Group for growth in their respective businesses and deliver benefits to both groups. The Spin-off will facilitate the further growth and business transformation of the Group and provide investors with a clear indicator of the standalone valuation of the Group, which may enhance the overall value of BOCOM. The Spin-off will strengthen the operational management ability of both the BOCOM Group and the Group, where their management teams can focus more effectively on their respective businesses. The Spin-off will also allow the Group to enhance its corporate governance through public scrutiny, and will create a new investor base for the Group as it will be able to attract strategic investors who are seeking investments specifically in the securities and asset management sector. See "*History and Corporate Structure — Spin-off of the Group from BOCOM*".

The BOCOM Group is a major financial services provider in the PRC and provides a broad range of corporate and retail banking products and services, whereas the Group's businesses are focused on securities

brokerage and margin financing, corporate finance and underwriting, investment and loans as well as asset management, consisting primarily of regulated activities under the SFO.

The Spin-off will help further distinguish and delineate the Group's businesses from the BOCOM Group's businesses in terms of their different business focuses and target customers. For example, in the securities brokerage business in Hong Kong, the key target customers of BOCOM (Hong Kong Branch) for its securities brokerage business comprise retail and commercial banking clients, while the key target customers of the Group for its securities brokerage business comprise institutional clients and non-retail and non-commercial banking clients who are generally more familiar with the financial markets and have a higher level of risk tolerance. Their respective customers for securities brokerage business generally have different wealth management requirements and risk appetite. In the margin financing business in Hong Kong, BOCOM International Securities provides margin financing to its customers in Hong Kong as part of the securities brokerage-related services that it offers, while BOCOM (Hong Kong Branch) provides margin financing to its customers in Hong Kong as a complementary part of the general retail and commercial banking services that it offers. BOCOM International Securities' clients for margin financing tend to have different focuses of investments in the capital markets from, and have a higher level of risk tolerance than, BOCOM (Hong Kong Branch)'s retail and commercial banking clients. The two groups' respective clients for margin financing businesses generally have different wealth management requirements and risk appetite. See "*Relationship with the BOCOM Group — Independence of the Group from the BOCOM Group*" for further details of the delineation of the Group's businesses from the BOCOM Group's businesses.

In respect of the Preferential Offering, the Company has been advised by the Company's PRC legal adviser that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial BOCOM H Shareholders who hold BOCOM H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. See "*Structure of the Global Offering*" for further details of the Preferential Offering.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, no dividends had been declared and paid by the companies comprising the Group. During the Track Record Period, we did not have any dividend policy and we do not currently have any dividend policy in place. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The Directors may in the future recommend a payment of dividend after taking into account various factors, including our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements, our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors the Board deems relevant.

As a result, there can be no assurance that any particular amount of dividends, or any dividend at all, will be declared or paid in the future. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

RISK FACTORS

There are risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorised into (i) risks relating to our business and industry, and (ii) risks relating to the Global Offering. We believe our major risks include:

- General economic, political and market conditions could materially and adversely affect our business.

- If we are unable to compete effectively in the highly competitive financial services industry, our business and prospects may be materially and adversely affected.
- We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may result in penalties, prohibitions on our future business activities or suspension or revocation of our licences, and consequently may materially and adversely affect our business operations and prospects.
- Our securities brokerage business is subject to various risks and there can be no assurance that our brokerage commission and fee income can be sustained.
- We may suffer significant losses from our credit risk exposures in our margin financing business.
- Our corporate finance and underwriting business is subject to various risks associated with IPO sponsorship and securities underwriting and placing, and we cannot assure you that our underwriting or sponsor fees can be sustained.
- Our investment and loans business is subject to market volatility and our investment decisions.
- Failure to meet our customers' expectations on investment performance or a significant decline in the size of our AUM may materially and adversely affect our asset management and advisory business.

For further information relating to these and other risks relating to an investment in the Shares, see "*Risk Factors*" beginning on page 25 of this prospectus.

REGULATORY NON-COMPLIANCE, INSPECTIONS AND INVESTIGATIONS

As a financial institution regulated under Hong Kong laws, our business operations are subject to applicable Hong Kong laws and regulations, including, for example, the SFO and its subsidiary legislation, and the Listing Rules. In addition, our subsidiaries in Hong Kong which are SFC-licensed corporations may be subject to inspections and examinations by the SFC and other regulatory agencies, which may reveal certain deficiencies with respect to our business operations, risk management and internal control. See "*Business — Legal and Regulatory Matters*" beginning on page 91 of this prospectus. As at the Latest Practicable Date, we were also involved in certain ongoing SFC investigations. For details, see "*Business — Legal and Regulatory Matters — Ongoing Investigations*" beginning on page 100 of this prospectus.

In March 2017, the SFC issued a press release confirming that it had reprimanded and fined BOCOM International Asia HK$15 million for failing to discharge its duties as a sponsor in the listing application of a PRC-based company. Such fine has been provided for in our results of operations in 2016. For details, see "*Risk Factors — Risks Relating to Our Business and Industry — We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may result in penalties, prohibitions on our future business activities or suspension or revocation of our licences, and consequently may materially and adversely affect our business operations and prospects*" beginning on page 26 of this prospectus, "*Business — Legal and Regulatory Matters — Regulatory Non-compliance and Disciplinary Actions — Disciplinary actions against the Group*" beginning on page 92 of this prospectus and "*Financial Information — Principal Components of Consolidated Income Statements and Results of Operations — Total Expenses — Other operating expenses*" beginning on page 136 of this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, incentive fee, and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by the Company are estimated to be approximately HK$105.2 million (assuming an Offer Price of HK$2.85 per Share (being the mid-point of the Offer Price Range) and no exercise of the Over-allotment Option), of which approximately HK$55.4 million is directly attributable to the issue of the Shares to the public and to be capitalised, and

approximately HK$49.8 million is expected to be reflected in our income statements. We have paid and will pay BOCOM International Asia a sponsor fee of HK$2.0 million in total and such fee had been and will be eliminated in our consolidated financial statements. In 2016, we had incurred listing expenses of HK$15.0 million which had been expensed in our consolidated income statements. The Directors do not expect the listing expenses to materially impact our results of operations for 2017.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"AMAC"	Asset Management Association of China (中國證券投資基金業協會)
"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering and BLUE Application Form(s) relating to the Preferential Offering
"Articles of Association" or "Articles"	the articles of association of the Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Assured Entitlement"	the entitlement of the Qualifying BOCOM H Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in BOCOM on the Record Date
"Available Reserved Shares"	has the meaning ascribed to it in "*Structure of the Global Offering — The Preferential Offering — Basis of Allocation for Applications for Reserved Shares*"
"Beneficial BOCOM H Shareholder"	any beneficial owner of BOCOM H Shares whose BOCOM H Shares are registered, as shown in the register of members of BOCOM, in the name of a registered BOCOM H Shareholder on the Record Date
"BLUE Application Form(s)"	the application form(s) to be sent to Qualifying BOCOM H Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
"Blue Form eIPO"	the application for Reserved Shares to be issued in a Qualifying BOCOM H Shareholder's own name by submitting applications online through the designed website of the Blue Form eIPO at **www.eipo.com.hk**
"Blue Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Board" or "Board of Directors"	the Board of Directors of the Company
"BOCOM" or "Bank"	Bank of Communications Co., Ltd. (交通銀行股份有限公司), established in 1908, a company registered in the PRC as a joint stock limited liability company on 24 December 2004, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and the ultimate controlling shareholder of the Company
"BOCOM Group"	BOCOM and its subsidiaries (excluding the Group)
"BOCOM H Shareholder(s)"	holder(s) of BOCOM H Shares

"BOCOM H Shares"	the overseas-listed foreign shares of par value of RMB1.00 each in the share capital of ordinary shares of BOCOM which are listed on the Stock Exchange and traded in Hong Kong dollars
"BOCOM (Hong Kong Branch)"	the Hong Kong Branch of BOCOM
"BOCOM International Asia"	BOCOM International (Asia) Limited, a company incorporated in Hong Kong with limited liability on 18 May 2007 and a subsidiary of the Company and a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"BOCOM International Asset Management"	BOCOM International Asset Management Limited, a company incorporated in Hong Kong with limited liability on 18 May 2007 and a subsidiary of the Company and a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
"BOCOM International Futures"	BOCOM International Futures Limited, a company incorporated in Hong Kong with limited liability on 15 January 2016 and a subsidiary of BOCOM International Securities
"BOCOM International Securities"	BOCOM International Securities Limited, a company incorporated in Hong Kong with limited liability on 18 May 2007 and a subsidiary of the Company and a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO
"BOCOM International (Shanghai)"	BOCOM International (Shanghai) Equity Investment Management Company Limited, a company incorporated in the PRC with limited liability on 25 October 2010 and a subsidiary of the Company
"BOCOM (Nominee)"	Bank of Communications (Nominee) Company Limited, a company incorporated in Hong Kong with limited liability on 21 August 1981 and a subsidiary of BOCOM and a shareholder of the Company holding the Shares on trust for BOCOM
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"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, joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "BOCOM International"	BOCOM International Holdings Company Limited (交銀國際控股有限公司), a company incorporated in Hong Kong with limited liability on 3 June 1998 and previously known as BCOM Securities Company Limited (交通證券有限公司)
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"controlling shareholder(s)"	has the meaning given to it in the Listing Rules and, unless the context otherwise requires, refers to BOCOM, BOCOM (Nominee), Bank of Communications Trustee Limited, Kiu Fai Company Limited and Expectation Investment
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of the Company
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法)
"EUR"	Euro, the official currency of the eurozone
"Expectation Investment"	Expectation Investment Limited, a company incorporated in Hong Kong with limited liability on 29 January 1997, an indirect subsidiary of BOCOM and a shareholder of the Company
"FATCA"	the Foreign Account Tax Compliance Act of the United States
"FRR"	Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)
"Futures Exchange"	Hong Kong Futures Exchange Limited
"GEM"	the Growth Enterprise Market of the Stock Exchange
"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)

"Greater China"	the People's Republic of China, Hong Kong, Macau and Taiwan, for the purpose of this prospectus
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKMA"	Hong Kong Monetary Authority
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC as operator of CCASS
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 66,668,000 Shares initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "*Structure of the Global Offering*")
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering") at the Offer Price (plus brokerage, SFC transaction levies and Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "*Structure of the Global Offering — Hong Kong Public Offering*"
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 4 May 2017 relating to the Hong Kong Public Offering and entered into by the Company, BOCOM, BOCOM (Nominee), the Joint Sponsors, the Joint Representatives, the Joint Bookrunners and the Hong Kong Underwriters, as further described in "*Underwriting — Underwriting Arrangements and Expenses*"
"independent third party(ies)"	party(ies) not connected (within the meaning of the Listing Rules) with the Company as far as the Directors are aware after having made all reasonable enquiries
"International Offer Shares"	the 600,012,000 Shares initially offered by the Company for subscription pursuant to the International Offering together with,

	where relevant, any additional Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in "*Structure of the Global Offering*")
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in "*Structure of the Global Offering*"
"International Underwriters"	the group of international underwriters, led by the Joint Representatives, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 11 May 2017 by, among others, the Company and the International Underwriters in respect of the International Offering, as further described in "*Underwriting — International Offering*"
"Joint Bookrunners"	BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, China Securities (International) Corporate Finance Company Limited, The Hongkong and Shanghai Banking Corporation Limited, CLSA Limited, ICBC International Capital Limited, ABCI Capital Limited, BOCI Asia Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited and China Merchants Securities (HK) Co., Limited
"Joint Global Coordinators"	BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, China Securities (International) Corporate Finance Company Limited, The Hongkong and Shanghai Banking Corporation Limited and CLSA Limited
"Joint Lead Managers"	BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, China Securities (International) Corporate Finance Company Limited, The Hongkong and Shanghai Banking Corporation Limited, CLSA Limited, ICBC International Securities Limited, ABCI Securities Company Limited, BOCI Asia Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited and China Merchants Securities (HK) Co., Limited
"Joint Representatives"	BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited and Haitong International Securities Company Limited
"Joint Sponsors"	BOCOM International (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Capital Limited and China Securities (International) Corporate Finance Company Limited

"Latest Practicable Date"	25 April 2017 being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or around 19 May 2017, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Maximum Offer Price"	HK$3.10 per Offer Share, being the maximum subscription price in the Offer Price Range
"Minimum Offer Price"	HK$2.60 per Offer Share, being the minimum subscription price in the Offer Price Range
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"Non-Qualifying BOCOM H Shareholders"	BOCOM H Shareholders whose names appeared in the register of members of BOCOM on the Record Date and whose addresses as shown in such register are in any of the Specified Territories and any BOCOM H Shareholders or Beneficial BOCOM H Shareholders at that time who are otherwise known by BOCOM to be resident in any of the Specified Territories
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$3.10 and expected to be not less than HK$2.60, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "*Structure of the Global Offering — Pricing of the Global Offering*"
"Offer Price Range"	HK$2.60 to HK$3.10 per Offer Share

"Offer Share(s)"	the Hong Kong Offer Shares, the Reserved Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by the Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Company may be required to allot and issue up to an aggregate of 100,002,000 additional Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any, further details of which are described in "*Structure of the Global Offering*"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Preferential Offering"	the preferential offering to the Qualifying BOCOM H Shareholders of 70,024,000 Offer Shares (representing approximately 10.50% of the Offer Shares initially being offered under the Global Offering) as an Assured Entitlement out of the Shares being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this prospectus and in the **BLUE** Application Form, as further described in "*Structure of the Global Offering — The Preferential Offering*"
"Price Determination Date"	the date, expected to be on or around 11 May 2017 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Representatives (on behalf of the Underwriters) and the Company may agree, but in any event no later than 18 May 2017
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Qualifying BOCOM H Shareholders"	BOCOM H Shareholders whose names appeared in the register of members of BOCOM on the Record Date, other than Non-Qualifying BOCOM H Shareholders
"Record Date"	27 April 2017, being the record date for determining the Assured Entitlement of the Qualifying BOCOM H Shareholders to the Reserved Shares
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Representatives, the Joint Lead Managers, the Underwriters, BOCOM (Nominee), Expectation Investment, any of their or the Company's respective directors, officers or representatives or any other parties involved in the Global Offering
"Reserved Shares"	the 70,024,000 Offer Shares being offered by the Company to Qualifying BOCOM H Shareholders pursuant to the Preferential Offering as the Assured Entitlement, which are to be allocated out of the Shares being offered under the International Offering
"RMB"	Renminbi, the lawful currency of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Specified Territories"	Australia, Japan, Malaysia, the PRC (except for any BOCOM H Shareholder with an address in the PRC who is (a) a qualified domestic institutional investor who satisfies the relevant PRC regulatory requirements to the satisfaction of BOCOM; (b) the Ministry of Finance of the PRC; or (c) the National Council for Social Security Fund of the PRC), Singapore, the United Kingdom and the United States
"Stabilising Manager"	China Securities (International) Corporate Finance Company Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"State-Owned Joint Stock Commercial Banks"	Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Agricultural Bank of China Limited, Bank of China Limited and BOCOM, if the context requires, including their predecessors, collectively
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between the Stabilising Manager and BOCOM (Nominee)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended 31 December 2014, 2015 and 2016
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"WHITE Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"YELLOW Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent.

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless otherwise specified, all references to any shareholdings in the Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"A share(s)"	the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
"AUM"	the amount of assets under management, which refers to net asset value for mutual funds and specialised asset management funds, and to paid-in capital for private equity funds
"average brokerage commission rate"	the ratio of the fee and commission income from our securities brokerage business divided by our brokerage trading value for securities
"bps"	basis points
"ETFs"	exchange traded funds
"Fintech"	an abbreviation of "financial technology", an industry composed of companies that use new technology and innovation to leverage available resources in order to compete in the marketplace of traditional financial institutions and intermediaries in the delivery of financial services
"Futures Exchange Participant(s)"	a person (a) who, in accordance with the Listing Rules, may trade on or through the Futures Exchange, and (b) 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
"GDP"	gross domestic product
"H share(s)"	overseas-listed shares of PRC companies that are traded on the Stock Exchange
"IPO"	initial public offering
"IT"	information technology
"Licensed Representative(s)"	an individual granted a licence under section 120(1) or 121(1) of the SFO to carry on one or more regulated activities
"loan-to-margin ratio"	the ratio of the total amount of margin loan balance to the margin value of the underlying securities pledged as collateral in the margin financing business
"loan-to-value ratio"	the ratio of the total amount of margin loan balance to the market value of the underlying securities pledged as collateral in the margin financing business
"M&As"	mergers and acquisitions

"margin financing"	the provision of collateral by investors to securities firms (which are qualified for conducting margin financing business) to borrow funds for securities purchases
"northbound trading"	the trading of certain eligible securities listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange by Hong Kong and overseas investors through the relevant Trading Link
"OTC"	over-the-counter
"PIPE"	private investment in public equity, the selling of publicly traded common shares or certain form of preferred shares or convertible securities to private investors
"prime rate"	the rate of interest that banks charge their creditworthy customers for borrowing money
"proprietary trading income"	net investment income, which is generated from our proprietary investment activities
"QDIE"	qualified domestic investment enterprise, a scheme set up to allow certain qualified PRC enterprise investors to invest offshore
"QFLP"	qualified foreign limited partner, a scheme set up to allow certain qualified offshore investors to invest in the PRC private equity market
"REIT"	real estate investment trust, a type of security that invests in real estate through property or mortgages
"Responsible Officer(s)"	a Licensed Representative who is also approved as a responsible officer under section 126 of the SFO to supervise one or more regulated activities of the licensed corporation to which he or she is accredited
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links programme developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shanghai
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links programme developed by the Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shenzhen
"Stock Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) 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
"Stock Exchange Trading Right"	a right to be eligible to trade on or through the Stock Exchange and entered as such a right in the register of trading rights kept by the Stock Exchange
"TMT"	telecommunications, media and technology

"Trading Link(s)"	the respective linkage(s) between the Stock Exchange and the Shanghai Stock Exchange and between the Stock Exchange and the Shenzhen Stock Exchange under which Hong Kong and overseas investors may trade certain eligible securities listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through the relevant Stock Exchange's subsidiary, and under which PRC investors may trade certain eligible securities listed on the Stock Exchange through the relevant Shanghai Stock Exchange's or Shenzhen Stock Exchange's subsidiary
"VaR"	value at risk, a statistical measure used to quantify the level of financial risk within a company or investment portfolio over a specific period of time
"yield-to-worst"	the lowest potential yield that can be earned from a bond when holding to maturity, absent the issuer's default

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political, economic and market conditions;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our exposure to counterparty risks in our businesses;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of governments in the relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to Hong Kong and the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue; and
- changes in the local and global economic conditions and material volatility in the local and global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as at the date of this prospectus. We undertake no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of, or references to, our intentions or those of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. If any of the following events occur or if these risks or any additional risks not currently known to us or which we now deem immaterial risks materialise, our business, financial condition and results of operations could be materially and adversely affected. The trading price of the Offer Shares could significantly decrease due to any of these risks (or such additional risks), and you may lose all or part of your investment. You should pay particular attention to the fact that while we are a company incorporated in Hong Kong, some of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview".

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

General economic, political and market conditions could materially and adversely affect our business.

Substantially all of our revenue is derived from the securities markets. Our business is directly affected by the inherent risks associated with the securities markets, such as market volatility, fluctuations in trading volume, funding availability or investors' confidence in the securities markets. Our business is also subject to general economic conditions, which are influenced by factors such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, trends in the business and financial sectors, inflation or deflation, currency fluctuations, accessibility to financing and the levels of interest rates.

While the global economy has gradually and slowly recovered since the financial crisis in 2008, substantial uncertainties remain in the global economy. Recent developments in the United States under its new leadership, and the impact of the contemplated exit of the United Kingdom from the European Union, have further intensified such uncertainties. In particular, the recent developments in the United States, such as the withdrawal of the United States from a multilateral trade agreement among several countries bordering the Pacific Ocean, may be perceived as an indication of the United States shifting its focus from free trade, globalisation and open markets, which may be negative for emerging economies, whose development models have assumed free trade and open capital flows. Further, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the PRC may lead to a deterioration in the Sino-U.S. relationship. Hong Kong, as an intermediary hub for a significant amount of business between the PRC and the United States, may suffer from potential declining trade volumes between the two countries. These developments, or the perception that any of them could occur, may adversely affect the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations.

Unfavourable or uncertain economic and market conditions could adversely affect investor confidence, resulting in declines in securities trading and corporate finance and underwriting activities, which may adversely affect the commission and fee income from our securities brokerage and corporate finance and underwriting businesses. Unfavourable financial or economic conditions and market volatility may also reduce the value of our trading and investment positions in the equity and fixed income investment business and increase the risk of default of our customers in our margin financing business. Under adverse financial or economic conditions, we may also experience a decline in the value of our asset management portfolio and may not be able to find suitable investments for our funds to effectively deploy capital, which could adversely affect the performance of the assets or funds we manage. This will, in turn, reduce our management fee income, and harm our ability to raise new funds for our asset management and advisory business. Furthermore, periods of unfavourable or uncertain economic and market conditions could lead to reduced opportunities to exit, and declines in realised value from, our direct equity investments, which may adversely affect our investment gains from such business. In addition, unstable political conditions may lead to adverse market conditions and increased volatility in the securities markets, which may adversely affect our business as well. In particular, our operational performance is highly correlated to the performance of the Hong Kong stock market. For example, if there were a 10% decrease in the

brokerage trading volume of the Hong Kong stock market and our brokerage trading volume also changed by the same extent, assuming that all other variables remain constant, in 2014, 2015 and 2016, our commission income from the securities brokerage business would have decreased by HK$23.8 million, HK$32.6 million and HK$14.1 million, respectively. Furthermore, if there were a 50 bps decrease in market interest rates and the interest rates we charged on margin loans also changed by the same extent, assuming all other variables (including our borrowing interest rates) remain constant, in 2014, 2015 and 2016, our interest income from the margin financing business would have decreased by HK$23.8 million, HK$26.1 million and HK$23.7 million, respectively.

If we are unable to compete effectively in the highly competitive financial services industry, our business and prospects may be materially and adversely affected.

We operate in highly competitive markets, in particular the securities markets of Hong Kong, along with an increasingly large number of participants. As at 31 December 2016, there were a total of 592 Stock Exchange Participants, comprising 556 trading participants and 36 non-trading participants.

We face intense competition in most of our business lines as described below:

- For our securities brokerage and margin financing business, we compete primarily with other licensed securities firms in terms of brokerage commission rates, quality of service, range of products and services offered, margin loan interest rates, financing maturity, risk profile of collateral, flexibility in repayment and value-added services. The intense price competition in recent years has lowered commission rates for our securities brokerage business. In 2014, 2015 and 2016, our average securities brokerage commission rate was 13.5bps, 15.1bps and 13.1bps, respectively.
- For our corporate finance and underwriting business, we compete primarily with other Hong Kong securities firms in terms of brand recognition, service portfolio, marketing capabilities, quality of service and pricing. Intense competition may lead to lower underwriting and sponsor fees and financial advisory fees for our corporate finance and underwriting business.
- For our direct equity investment business, which is part of our investment and loans business, we compete primarily with other Hong Kong and PRC securities firms qualified to conduct direct investment business and private equity firms in Hong Kong and the PRC, in terms of pricing, strategy, terms offered and quality of service.
- For our asset management and advisory business, we compete primarily with fund management and asset management companies in terms of portfolio performance, management fee rates, brand name and the ability to identify sound investment targets.

Some of our competitors may possess certain competitive advantages over us, including greater financial resources, lower financing costs, stronger brand recognition, wider geographical coverage, more extensive client networks, higher risk tolerance and more advanced IT systems. They may also have more experience in a wider variety of services and offer more sophisticated financial products than we do. In addition, more competitors may seek to enter the market or expand their businesses. We may not always be able to compete successfully with our competitors, which could materially and adversely affect our business, financial condition and growth prospects.

We also face intense competition to retain our existing clients and acquire new clients. Should we fail to successfully diversify our client base or maintain or improve our relationships with existing clients, we may not be able to generate the same or a higher level of income from our clients as before. Any significant decrease in the level of business with our major clients, loss of any of our existing major clients or our inability to diversify or expand our client base could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may result in penalties, prohibitions on our future business activities or suspension or revocation of our licences, and consequently may materially and adversely affect our business operations and prospects.

As a financial institution regulated under Hong Kong laws, our business operations are subject to applicable Hong Kong laws and regulations, including, for example, the SFO and its subsidiary legislation, and the Listing

Rules. These laws and regulations set out the licensing requirements, regulate our operational activities and standards, and impose requirements such as maintaining minimum liquid capital along with other filing and reporting obligations relevant to our business operations. See "*Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview — I. Overview of the Laws and Regulations Relating to the Group's Business Operations in Hong Kong*". Failure to comply with applicable laws, regulations and regulatory requirements can result in investigations and regulatory actions, which may lead to penalties, including reprimands, fines, limitations or prohibitions on our future business activities or suspension or revocation of our licences. Such outcomes may affect our ability to conduct business, harm our reputation and, consequently, materially and adversely affect our business, financial condition, operations and results. In March 2017, the SFC issued a press release confirming that it had reprimanded and fined BOCOM International Asia HK$15.0 million for failing to discharge its duties as a sponsor in the listing application of a PRC-based company. Such fine has been provided for in our results of operations in 2016. See "*Business — Legal and Regulatory Matters*".

From time to time, our subsidiaries in Hong Kong which are SFC-licensed corporations may be required to assist in and/or are subject to inspections and/or investigations by relevant regulatory authorities in Hong Kong, such as the SFC. As at the Latest Practicable Date, we were involved in three ongoing regulatory investigations by the SFC. We are currently unable to accurately predict their outcome. If any adverse outcome arises, our reputation, business, prospects and financial position could be materially and adversely affected. See "*Business — Legal and Regulatory Matters — Ongoing Investigations*". As at the Latest Practicable Date, we had not made any provisions in our financial statements in respect of any of the above ongoing SFC regulatory investigations. However, there remains a risk that on conclusion of the SFC's investigations, the SFC identifies misconduct or material non-compliance and decides to take regulatory actions, which might include, among other things, steps that can result in reprimands, fines and/or suspension or revocation of the licences of the relevant entities. If such an outcome were to arise, there may be a material and adverse effect on our business, results of operations, financial condition and reputation.

Furthermore, we are subject to laws and regulations in other jurisdictions, as applicable. From time to time, the relevant laws, regulations and codes applicable to us may be supplemented, amended or repealed by regulatory authorities, which may increase our liquid capital requirements, restrict our existing business practices or future expansion, or result in additional compliance costs.

Our securities brokerage business is subject to various risks and there can be no assurance that our brokerage commission and fee income can be sustained.

In 2014, 2015 and 2016, revenue and other income from our securities brokerage business amounted to HK$250.0 million, HK$344.6 million and HK$157.3 million, respectively, representing 32.0%, 30.2% and 14.9% of our total revenue and other income, respectively.

Our securities brokerage business is affected by external factors, such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates. Any sudden downturn in the global, regional or local economic environment, which is beyond our control, may adversely affect the financial market sentiment in general. Severe fluctuations in the market sentiment may also lead to a prolonged period of sluggish market activity, which could, in turn, materially and adversely affect our securities brokerage business. For example, the commission and fee income from our securities brokerage business decreased by 56.8% in 2016 compared to 2015, primarily as a result of the slowdown in stock market activity in Hong Kong.

Market competition is another key factor affecting this business. We monitor our product pricing in relation to that of our competitors and adjust commission rates and other fee structures to enhance our competitiveness. The brokerage commission rates and fees in the industry may decrease if more competitors seek to enter or expand their brokerage business. Furthermore, price competition and pricing pressure may continue as investors are increasingly less willing to pay for brokerage services, and some of our competitors may seek to increase their market share by further reducing the brokerage commission rates and fees that they charge. Our brokerage commission and fee income could decline as a result, which could materially and adversely affect our business, financial condition and results of operations.

We may suffer significant losses from our credit risk exposures in our margin financing business.

In 2014, 2015 and 2016, revenue and other income from our margin financing business amounted to HK$369.3 million, HK$393.0 million and HK$331.9 million, respectively, representing 47.2%, 34.5% and 31.5% of our total revenue and other income, respectively.

Our margin financing business is subject to the risk that our clients may fail to meet their payment obligations. Any material non-payment by our clients could adversely affect our business, financial condition, results of operations and cash flow.

We may carry out forced liquidation of the collateral provided by our clients if their loan-to-value ratio is higher than our minimum threshold due to fluctuations in market prices of the collateral while failing to restore the margin by providing additional collateral or selling part of their investment portfolio. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Securities Brokerage and Margin Financing — Margin Financing*". Such forced liquidation may result in disputes between our clients and us, which may subject us to litigation risks and significant costs.

Furthermore, our ability to effectively carry out forced liquidation of our clients' positions is adversely affected by market volatility. If the market price of the underlying securities which we hold as collateral for the margin loans decreases significantly over an extended period, we may not be able to liquidate our clients' positions in a timely manner, and the value of such collateral may fall below the balance of our margin loans. As a result, we may suffer significant financial losses.

In addition, we are subject to customer concentration risks in our margin financing business. In 2014, 2015 and 2016, the margin loan balance of our top five margin clients contributed 23.8%, 35.1% and 31.3% of our total margin loan balance (after general provision), respectively. Should our risk management measures fail to manage such risks, any material default of our top margin clients may adversely affect the results of operations and financial condition of our margin financing business.

Our corporate finance and underwriting business is subject to various risks associated with IPO sponsorship and securities underwriting and placing, and we cannot assure you that our underwriting or sponsor fees can be sustained.

In 2014, 2015 and 2016, segment revenue and other income from our corporate finance and underwriting business amounted to HK$95.9 million, HK$345.6 million and HK$216.5 million, respectively, representing 12.3%, 30.3% and 20.6% of our total revenue and other income, respectively.

The performance of our corporate finance and underwriting business depends on market conditions. Adverse market conditions and capital market volatility may cause delays to, or the termination of, securities offerings sponsored, underwritten and placed by us, or may result in fewer financing activities in the market, which may, in turn, materially and adversely affect our revenue from our corporate finance and underwriting business and further adversely affect our overall business, financial condition and results of operations.

Moreover, the offering of securities in Hong Kong, especially an IPO, is subject to reviews conducted by HKEX and the SFC. The result and timing of these reviews are beyond our control and may cause substantial delays to, or the termination of, securities offerings sponsored or underwritten by us. There can be no assurance that the relevant regulatory approvals for such securities offerings will be granted in a timely manner or at all. If a securities offering is not completed as scheduled or at all for any reason, such as failure to obtain regulatory approval for a listing application which we sponsor, we may not receive payment for our services in a timely manner, or at all, which could materially and adversely affect our financial condition and results of operations. In addition, if we fail to sell the securities we underwrite or place, we would suffer reputational damage, as well as incur significant capital to purchase and hold the underwritten securities, thereby materially and adversely affecting our business, financial condition and results of operations. Moreover, if we agree to underwrite or place securities offerings on a hard underwriting basis, we would be required to purchase all of the unsubscribed portion of such securities offerings for our own account, which may materially and adversely affect our liquidity, and may even incur losses.

When we act as a sponsor in securities offerings, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions or other legal liability for conducting inadequate due diligence in connection with an offering, fraud or misconduct committed by the issuers, their agents, other sponsors or us, misstatements or omissions in disclosure documents, or other illegal or improper activities that occur during the course of the listing and underwriting process.

Our investment and loans business is subject to market volatility and our investment decisions.

In 2014, 2015 and 2016, segment revenue and other income from our investment and loans business amounted to HK$46.7 million, HK$9.9 million and HK$204.6 million, respectively, representing 6.0%, 0.9% and 19.4% of our total revenue and other income, respectively.

We invest in equity and fixed income securities for our own account, the performance of which is subject to market volatility and is affected by our investment decisions and judgements based on our assessment of the existing and future market conditions. If our decision-making process fails to effectively minimise losses while capturing gains, or our forecasts do not conform to actual changes in market conditions, our investment and loans business may not achieve the investment returns we have anticipated, and we may even suffer material losses. Any of the foregoing would materially and adversely affect our business, financial condition and results of operations.

We also provide loans to, or conduct direct equity investments in, companies with our own capital. The borrowers may default on our loans for failure to meet their payment obligations due to changes in market conditions that result in a deterioration in their financial condition, which could adversely affect our financial condition and results of operations. In March 2014, we extended an unsecured bridge loan of US$35.0 million as part of a syndicated loan to a Hong Kong-listed company, which subsequently became delinquent. We made full provision for such bridge loan in 2014 after taking into consideration the borrower's financial situation and operations as well as the seniority of our claims among the creditors. See "*Business — Our Business — Investment and Loans — Structured Finance and Loans*", "*Financial Information — Principal Components of Consolidated Income Statements and Results of Operations — Total Expenses — Impairment losses"* and *"Appendix I — Accountant's Report — II. Notes to the Financial Information — 15. Impairment losses*".

In addition, if the capital markets become volatile, we may be forced to sell our investments at unsatisfactory prices or defer sales for a considerable period of time, or may not be able to sell our investments at all. If we cannot sell our investments during the planned disposal period, our investment returns will continue to be exposed to market risks. Furthermore, we have limited control over the companies in which we have invested for our direct equity investment business. We are subject to the risk that these companies may make business, financial or management decisions with which we do not agree. The majority shareholders or the management of such companies may take risks or otherwise act in a manner that does not serve our interests as a minority shareholder. Moreover, these companies may fail to comply with the terms of their agreements with us, for which we may have limited or no recourse. If any of the foregoing were to occur, the value of our direct equity investments could decrease or we may face investment failure, in which case our financial condition, results of operations and cash flow could be materially and adversely affected.

Failure to meet our customers' expectations on investment performance or a significant decline in the size of our AUM may materially and adversely affect our asset management and advisory business.

In 2014, 2015 and 2016, segment revenue and other income from our asset management and advisory business was HK$9.8 million, HK$34.7 million and HK$129.4 million, respectively, representing 1.2%, 3.0% and 12.3% of our total revenue and other income, respectively.

Investment performance affects our AUM and is also one of the most important factors in retaining existing, and attracting new, clients and competing for new investment management business. Market volatility and limitations in investment options and hedging strategies in Hong Kong and the PRC could limit our ability to provide stable returns for our clients and cause us to lose clients. In addition, the performance of the investment portfolio under our asset management schemes is subject to market volatility and is affected by our investment

decisions and judgements based on our assessment of the existing and future market conditions. Particularly, for those investment portfolios under our asset management business with a guaranteed return feature, it may require us to have additional risk management measures. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Asset Management and Advisory*". Furthermore, our asset management and advisory business is subject to exchange rate risk due to the difference between the currency in which our scheme is denominated and the currencies in which the underlying investments are denominated. Unfavourable exchange rate movements may adversely affect the AUM of the relevant schemes of our asset management and advisory business. We may also not be able to keep or increase our AUM due to increased competition from other securities firms, fund managers, private equity investment funds, insurance companies, trust companies, banks and other competitors, which could adversely affect our results of operations and financial condition.

We are exposed to liquidity risk relating to our unlisted securities investments.

We may, from time to time, invest in unlisted securities, subject to our internal approval. As at 31 December 2014, 2015 and 2016, unlisted securities (including unlisted equity securities, bonds, preference shares and funds, as well as club debentures) accounted for approximately 4.4%, 7.1% and 10.2% of our investment portfolio as at the same dates, respectively. Compared to listed securities, unlisted securities do not have a public market and may not be liquidated in a timely manner. In addition, unlisted securities do not have an available public market price for reference. If such unlisted securities cannot be liquidated on the terms and prices satisfactory to us, our return on investments may be lower than originally expected. We may continue to invest unlisted securities, which may negatively affect our liquidity position while we hold them.

We require a high level of funding to support our business and may not maintain sufficient liquidity to meet such needs.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our margin financing, corporate finance and underwriting, investment and loans as well as other business activities which require substantial cash. Our failure to maintain adequate liquidity may materially and adversely affect our business, financial condition and results of operations. A reduction in our liquidity could also reduce the confidence of our clients or counterparties in us, which may lead to losses of business and clients.

Factors that may adversely affect our liquidity position primarily include a significant increase in our margin financing activities, substantial investments in our investment and loans business and settlement of securities transactions on behalf of our securities brokerage clients using our own resources before clients settle using their own funds. In addition, we may need additional funding in order to, among other things, support our expansion, develop new or enhanced services and products, or acquire complementary businesses or technologies. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we must seek external financing. However, there can be no assurance that such additional funding will be available when needed on commercially reasonable terms favourable to us, or at all, especially during periods of disruptions in the credit and capital markets where potential sources of external financing could be limited and our borrowing costs could increase. Our inability to raise such funds may materially and adversely affect our growth prospects.

We must maintain a high level of liquidity at all times in compliance with the capital requirements or any relevant regulatory changes, as applicable, under the FRR. See "*Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview — I. Overview of the Laws and Regulations Relating to the Group's Business Operations in Hong Kong — 5. The Securities and Futures (Financial Resources) Rules of Hong Kong*". If we fail to meet such requirements, the SFC may take disciplinary actions against us, which may materially and adversely affect our business, financial condition, results of operations and prospects. See "*Business — Legal and Regulatory Matters — Regulatory Non-compliance and Disciplinary Actions*". There can be no assurance that these existing regulatory requirements, together with any subsequent relevant changes, will be favourable to us in the future as well.

We had negative operating cash flows in 2014 and 2016 and may experience the same in the future.

We had negative cash flows from operating activities of approximately HK$413.1 million and HK$948.9 million in 2014 and 2016, respectively. For details of the reasons attributable to the foregoing, see "*Financial Information — Liquidity and Capital Resources — Cash Flows — Operating activities*".

There can be no assurance that we will not record negative operating cash flows in the future. Factors such as changes in our business operations or economic conditions could give rise to negative operating cash flows, which may materially and adversely affect our liquidity and financial condition. There can be no assurance that we will have sufficient cash from other sources to fund our operations should the foregoing occur, and we may not be able to obtain the necessary financing in due course on commercially reasonable terms favourable to us, or at all.

Significant interest rate fluctuations could affect our financial condition and results of operations.

Our exposure to interest rate risk is primarily associated with our fixed income investments, interest income and interest expenses. See "*Financial Information — Qualitative and Quantitative Disclosures about Market Risk — Market Risk — Interest rate risk*". We hold fixed income investments. During periods of rising interest rates, market prices and our investment returns on fixed income securities will generally decrease.

We earn interest income from margin loans of our margin financing business and loans of our structured finance and loans business. Interest income from these sources is directly linked to the prevailing market interest rates. When interest rates decline, our interest income would generally decrease. We make interest payments on our loans and overdraft from financial institutions for financing our margin financing activities and daily operations. These interest expenses are directly linked to the prevailing market interest rates. When interest rates rise, our interest expenses and financing costs would generally increase.

Interest rate volatility may also affect stock market performance and general market sentiment, which may indirectly and adversely impact on our business performance.

We may not be able to successfully implement our business strategies.

Our future success depends on our ability to successfully implement our business strategies. There can be no assurance that our business strategies will be successfully implemented. Our key business strategies include continuing to strengthen our principal business lines and attracting talented professionals, further developing our "capital-based" businesses and M&A financial advisory business to increase synergies and cross-selling capabilities among our business lines, enhancing our international business platform and expanding our global business, and enhancing our risk management system, internal control and IT capabilities. Should we fail to implement our business strategies successfully or fail to manage our growth effectively, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Implementing our business strategies exposes us to various new and more challenging risks, including, but not limited to, the following:

- we may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers and in providing our customers with adequate levels of service for our new products and services;

- we may be subject to greater and unfamiliar regulatory scrutiny, as well as increased credit, market and operational risks;

- we may be unable to hire additional qualified personnel to support the broader range of products and services we offer;

- our new products and services may not be accepted by our customers or meet our profitability expectations;

- we may be unable to obtain sufficient financing to support our business expansion; and
- we may not be successful in enhancing our risk management capabilities and IT systems in order to identify and mitigate risks associated with our business strategies.

Our geographical expansions may not be successful.

As part of our business strategies, we expect to further expand our global business which may expose us to additional risks, including, among other things:

- difficulties with managing operations into new geographical regions, including complying with the various regulatory and legal requirements of different jurisdictions;
- different approval or licensing requirements;
- challenges in providing products, services and support in these new markets;
- challenges in attracting clients and remaining competitive;
- potential adverse tax consequences;
- foreign exchange losses;
- limited protection for intellectual property rights;
- inability to effectively enforce contractual or legal rights; and
- local political, regulatory and economic instability or civil unrest.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our global business will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct, and control procedures deficiencies, as well as the protection of personal and confidential information of our clients. We may be subject to arbitration claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our reputation. Even if we are successful in defending ourselves against these actions, the costs of such defence may be significant to us. In market downturns, the number of legal claims and the amount of damages sought in legal proceedings may increase. A significant judgement or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against the directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects. See "*Business — Legal and Regulatory Matters*".

Changes in tax laws and regulations may adversely affect our business.

Our business operations are subject to the tax laws and regulations in Hong Kong, the PRC and other relevant jurisdictions. We may also be subject to taxation in other jurisdictions as we trade or invest in the financial products issued or provide services in such jurisdictions. Any unfavourable changes in the tax laws and regulations applicable to us may have an adverse effect on our business, financial condition and results of operations.

We may be subject to liability and regulatory action if we are unable to protect the personal data and other confidential information of our clients.

Various laws, regulations and rules require us to protect the personal data and confidential information of our clients. See "*Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview — I. Overview of the Laws and Regulations Relating to the Group's Business Operations in Hong Kong — 9. Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) ("PDPO")*". The relevant authorities may issue sanctions or orders against us if we fail to protect the personal information of our clients, and we may have to pay damages for economic losses arising from our failure to protect the personal information of our clients in accordance with relevant laws and regulations. During the Track Record Period, we did not experience any material failure in protecting the confidential information of our clients. Incidents of mishandling personal information or failure to protect the confidential information of our clients could create a negative public or client perception of our operations or our brand name, which may materially and adversely affect our business, reputation and prospects.

We rely heavily on IT systems to process and record our transactions, offer online products and services and manage our daily operations.

Our automated IT systems are critical to our securities transactions, online services and daily operations in ensuring the proper processing of a large number of transactions across numerous and diverse markets and our broad range of products and services in a timely manner. A prolonged disruption to, or failure of, our information processing or communications systems would limit our ability to process transactions. This would impair our ability to serve our clients, execute transactions and affect our operations, which could, in turn, materially and adversely affect our competitiveness, financial condition and results of operations.

The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. There can be no assurance that our risk management measures would be sufficient in preventing our IT systems from failing in the future, and any such failure may materially disrupt our business operations and give rise to client complaints, litigation or adverse effects on our reputation.

In addition, the securities industry is characterised by rapidly changing technology. Online securities trading platforms and other new channels, such as mobile devices, are becoming increasingly popular among our customers. We rely heavily on technology, particularly the Internet, to provide high quality online services. However, our technology operations are exposed to various risks, such as system disruptions, information system instability and security breaches arising from human error, natural disasters, power failure, hacking, defects, computer viruses, spam attacks, unauthorised access and other similar events, many of which are beyond our control. Disruptions to, or the instability of, our technology or external technology that allows our clients to use our online products and services could materially harm our business and reputation. For example, we may not be able to completely prevent loss or leakage of confidential data stored or transmitted in our IT systems due to unforeseeable security loopholes, such as hacking and viruses, or disruptions, such as hardware and software defects or operational error. Any loss or leakage of confidential data may incur economic loss or loss of clients, result in reputation damage, or even subject us to investigations by regulatory authorities. We are also vulnerable to cyber-attacks, which may severely damage our online trading operations, causing temporary or prolonged interruption or suspension of relevant services or leakage of confidential client data. The occurrence of any of the foregoing incidents may adversely affect our business, financial condition, results of operations and reputation.

Our operations depend on our key management and professional staff, and our business may suffer if we are unable to retain or replace them.

The success of our business depends, to a large extent, on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. These key personnel include members of our senior management, Responsible Officers and other professional staff. We devote considerable resources to recruiting and retaining these personnel. However, we may not be able to recruit and

retain these individuals as other securities firms and financial institutions are competing for the same pool of talent, and the failure to do so could materially and adversely affect our business and prospects. In addition, intense competition may force us to offer higher compensation and other benefits in order to compete for high quality professionals, which could also materially and adversely affect our financial condition and results of operations.

Our key employees are subject to non-competition arrangements. However, we cannot assure you that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

Our risk management policies and procedures and internal control, as well as the risk management tools available to us, may not fully protect us against risks inherent in our business.

We continually improve our internal risk management framework and procedures to manage our risk exposures, primarily relating to credit, market, liquidity, operational, legal and compliance and reputational risks. Our risk management policies, procedures and internal control may not be adequate or effective in capturing and mitigating material risk exposures in our business. In particular, some of our methods of managing risks are based upon observed historical market behaviour and our experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up to date or properly evaluated. In addition, some of the information, experience and data that we rely on for our risk management methods may quickly become outdated as markets and regulations continually evolve. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to manage our risk exposure or identify any reporting errors and non-compliance with rules and regulations, which may further materially and adversely affect our business, financial condition and results of operations.

Our business is susceptible to the operational failure of third parties.

We face the risk of operational failure or termination of the services of any of the exchanges, depositaries, clearing agents, outsourcing contractors or other financial intermediaries we use to facilitate our securities transactions. We were not subject to any material operational failure of such third parties during the Track Record Period. However, any future operational failure or termination of the services of the particular financial intermediaries that we use could adversely affect our ability to execute transactions, service our clients and manage our exposure to various risks, and thereby adversely affect our business and reputation.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties.

We may be exposed to negligence, fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, as well as adversely affect our reputation.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. See "*Business — Legal and Regulatory Matters — Regulatory Non-compliance and Disciplinary Actions*". Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take may not effectively prevent and detect such activities. There can be no assurance that negligence, fraud or other misconduct will not occur in the future. If such event does occur, it may cause negative publicity. Our failure to detect and prevent fraud and other misconduct may have a material adverse effect on our business, financial condition, results of operations and reputation.

We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering and counter-terrorism laws and regulations in Hong Kong, the PRC and other relevant jurisdictions. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, designate an independent anti-money laundering reporting officer, establish a customer due diligence system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities. See "*Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview — I. Overview of the Laws and Regulations Relating to the Group's Business Operations in Hong Kong — 8. Anti-Money Laundering and Counter-Terrorist Financing*".

In addition, the policies and procedures we have adopted that are aimed at detecting and preventing the use of our business platforms to facilitate money laundering and sanctioned activities as well as terrorist acts may not completely eliminate instances in which we may be used by other parties to engage in money laundering and other illegal, sanctioned or improper activities. In the event that we fail to fully comply with the applicable laws and regulations, the relevant government authorities may freeze our assets or impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities, which may adversely affect our business, reputation, financial condition and results of operations.

Any failure to appropriately identify and address conflicts of interest could adversely affect our business.

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business legitimately exist but are in competition or conflict. See "*Risk Management — Conflicts of Interest*".

We have extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. Our failure to manage conflicts of interest could harm our reputation and erode client confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts during the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. There can be no assurance that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by Hong Kong or the PRC government or other countries in response to such disasters or diseases, will not seriously disrupt our operations or those of our customers, therefore resulting in a material adverse effect on our business, financial condition and results of operations.

In addition, acts of war and terrorism may cause damage or disruption to us or our employees, facilities, the securities markets, or customers, any of which may materially and adversely affect our financial condition and results of operations. Potential war or terrorist attacks may also cause uncertainty and impair our business in ways that we cannot currently predict.

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is responsible for developing and revising the HKFRSs, issued HKFRS 9 and its amendments which will take effect on 1 January 2018 and replace the information related to the classification, measurement and derecognition of financial assets and financial liabilities under Hong Kong Accounting Standard 39 ("HKAS 39"), and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. The application of HKFRS 9 will affect the classification and measurement of our financial assets and financial liabilities. Firstly, one of the major differences between HKFRS 9 and HKAS 39 is the classification and measurement of financial assets. The classification of financial assets under HKFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine their classification and subsequent measurement. Secondly, for financial assets classified as "amortised cost" and "fair value through other comprehensive income" under HKFRS 9, we will be required to apply a new expected credit loss impairment model, which uses more forward-looking information and does not use the existence of an objective evidence of impairment as a precondition for recognising impairment losses. It is not practicable to provide a reasonable estimate of the effect or quantify the impact on our operating results and financial position until we make a detailed assessment, as the new standard requires changes to systems and processes to collect necessary data. Any change to our current practice in the future, in accordance with HKFRS 9 and its amendments, and any other future amendments to HKAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, may materially affect our business, financial condition and results of operations.

We may be indirectly affected by BOCOM's reputation.

BOCOM, our ultimate controlling shareholder, is one of the major financial services providers in China. Its business scope encompasses commercial banking, securities services, trust services, financial leasing, fund management, insurance and offshore financial services. BOCOM has been listed on the Stock Exchange since June 2005, and on the Shanghai Stock Exchange since May 2007. Any negative publicity associated with BOCOM or any of its subsidiaries, funds, officers or employees may by association, as us being one of its subsidiaries, result in a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

BOCOM may have interests or goals that are inconsistent with ours which could cause it to direct our business in a manner that is not in the best interests of other Shareholders.

BOCOM, as the ultimate controlling shareholder holding 75% shareholding interests in the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), is able to direct our corporate policies and nominate Directors. BOCOM may have economic or business interests or goals that are inconsistent with ours and/or those of the other Shareholders, and could take actions that could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no public market for the Shares prior to the Global Offering. The trading volume and market price of the Shares may be volatile.

Prior to the Global Offering, there was no public market for the Shares. The Offer Price Range for the Shares was the result of negotiations between us and the Joint Representatives (on behalf of the Underwriters), and the market price for the Shares following the Global Offering may differ significantly from the Offer Price. However, the Global Offering does not guarantee that an active and liquid public trading market for the Shares will develop. Furthermore, the price and trading volumes of the Shares may be volatile. Factors such as fluctuations in our results of operations, general market conditions or other developments affecting us or our industry may materially and adversely affect the volume and price at which the Shares will be traded.

As the Offer Price of the Shares is higher than the net tangible assets per Share, purchasers of the Shares in the Global Offering will experience immediate dilution.

The Offer Price of the Shares is higher than the net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of the Shares in the Global Offering will experience an immediate dilution in the unaudited pro forma adjusted consolidated net tangible assets of HK$2.17 per Share (assuming an Offer Price of HK$2.85, being the mid-point of the Offer Price Range, and assuming the Over-allotment Option is not exercised), and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets per Share for their Shares. Purchasers of the Shares may experience further dilution in their shareholding if the Underwriters exercise the Over-allotment Option or if we issue additional Shares in the future.

Future sales or perceived sales of substantial amounts of the Shares in the public market, including any future offerings, may materially and adversely affect the market price of the Shares and our ability to raise capital in the future.

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, or the issuance of new Shares or other securities relating to the Shares or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of the Shares, including any future offerings, may materially and adversely affect the prevailing market price of the Shares and our ability to raise capital in the future at a favourable time and price. In addition, Shareholders may experience a dilution in their holdings upon the issuance or sale of additional Shares for any purpose.

The Shares held by the controlling shareholders of the Company are subject to certain restrictions regarding their disposal for a period of 12 months after the Listing Date. See "*Underwriting — Underwriting Arrangements and Expenses*". There can be no assurance that the controlling shareholders of the Company will not dispose of any Shares that they own now or may own in the future.

Dividends declared in the past may not be indicative of our dividend policy in the future.

During the Track Record Period, we did not declare or pay any dividends. There can be no assurance as to when, if and in what form dividends will be paid in the future. The Board of Directors has absolute discretion in recommending the frequency and amount of dividend distributions, which will be subject to the approval of the Shareholders at a general meeting. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements, our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors that the Board of Directors deems relevant. See "*Financial Information — Dividend*".

Certain facts, forecasts and statistics contained in this prospectus with respect to Hong Kong, the PRC and their economies and securities industries are derived from various official or third party sources and may not be accurate, reliable, complete or up to date.

We have derived certain facts, forecasts and statistics in this prospectus relating to Hong Kong, the PRC and their economies and securities industries from various government or other third party sources. We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information to be false or misleading. However, we cannot guarantee the quality of such source materials. Neither we nor any of the Relevant Persons have prepared or independently verified such facts, forecasts and statistics or make any representation as to the accuracy of such facts, forecasts and statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside Hong Kong or the PRC. There can be no assurance as to the accuracy or reliability of the information derived from official government or other third party sources. Accordingly, you should not place undue reliance on such information as a basis for making your investment in the Shares.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, other publications and/or other media regarding us, our business, the industry and the Global Offering.

There has been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage concerning ourselves, our business, the industry and the Global Offering, which may include certain information not contained in this prospectus. We have not authorised the disclosure of any such information in the press or other media. Such media coverage, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation, business, financial condition and the price of the Shares. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for the Offer Shares.

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 (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to the Group. 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 herein or this prospectus misleading.

APPROVAL OF THE CSRC

The CSRC issued a no objection letter to BOCOM on 17 February 2017 in relation to the proposed Listing.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

The Global Offering comprises the Hong Kong Public Offering of initially 66,668,000 Offer Shares (subject to reallocation), and the International Offering of initially 600,012,000 Offer Shares (subject to reallocation and the Over-allotment Option and including the Preferential Offering). For applicants under the Hong Kong Public Offering and/or the Preferential Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering and the Preferential Offering.

The Hong Kong Offer Shares and the Reserved Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his or her acquisition of the Hong Kong Offer Shares to, confirm that he or she is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong (save for the Preferential Offering made to the Qualifying BOCOM H Shareholders). Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Stock Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the Share register of members of the Company maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in the Shares registered on the Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by the Company, dividends payable in respect of the Shares will be paid to the Shareholders listed on the Share register of the Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. Neither we nor the Relevant Persons accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain amounts of Hong Kong dollars into U.S. dollars at a specified rate. Unless indicated otherwise, the translation of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at an exchange rate of HK$7.7757 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on 21 April 2017).

No representation is made that any amounts in Hong Kong dollars or U.S. dollars can be or could have been at the relevant date converted at the above rate or any other rates or at all.

The members of the Board are as follows:

Name	Residential Address	Nationality
Chairman and Executive Director		
TAN Yueheng (譚岳衡)	Flat 53B, Block 3 Sorrento Kowloon Hong Kong	Chinese
Executive Directors		
LI Ying (李鷹)	47G, Tower 8 The Belcher's Hong Kong	Chinese
CHENG Chuange (程傳閣)	Flat B3, 10/F Block B, Fortune Terrace 4-16 Tak Shing Street Jordan, Kowloon Hong Kong	Chinese
Non-Executive Directors		
WANG Yijun (王憶軍)	Room 2304, No. 21 Lane 814, Zhongshan North Road Shanghai PRC	Chinese
LIN Zhihong (林至紅)	Room 401, Number 5, Lane 333 Hanzhong Road Shanghai PRC	Chinese
SHOU Fugang (壽福鋼)	Flat A, 17/F, Block 13 Braemar Hill Mansions 39 Braemar Hill Road North Point Hong Kong	Chinese
Independent Non-Executive Directors		
TSE Yung Hoi (謝湧海)	Flat G, 25/F, Pine Mansion 26 Taikoo Wan Road Taikoo Shing Hong Kong	Chinese
MA Ning (馬宁)	3-5-9A Zhonghai Kai Xuan 98 Taipingqiao Street Xicheng Beijing 100032 PRC	Chinese

Name	Residential Address	Nationality
LIN Zhijun (林志軍)	Flat G, 27/F, Block 11 Royal Ascot 1 Tsun King Road Fo Tan New Territories Hong Kong	Chinese

See "*Directors and Senior Management*".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**BOCOM International (Asia) Limited** 9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**BOCOM International Securities Limited** 9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place, Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Bookrunners	**BOCOM International Securities Limited** 9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place, Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	ICBC International Capital Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central, Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square
Central, Hong Kong

Joint Lead Managers

BOCOM International Securities Limited
9/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

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

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central, Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square
Central
Hong Kong

Co-lead Managers

Sinomax Securities Limited
Room 2705-6, 27/F, Tower One, Lippo Centre
89 Queensway
Admiralty, Hong Kong

Ever-Long Securities Company Limited
18/F, Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

Legal Advisers to the Company	*As to Hong Kong and United States laws:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong *As to PRC laws:* King & Wood Mallesons 20th Floor, East Tower, World Finance Centre 1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC *As to Cayman Islands and British Virgin Islands laws:* Maples and Calder (Hong Kong) LLP 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States laws:* Clifford Chance 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC laws:* JunHe LLP Suite 1301, 13/F E Building, G.T. Land Plaza 13 Zhujiang East Road, Tianhe District Guangzhou 510623 PRC
Auditor and Reporting Accountants	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Compliance Adviser	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Receiving Bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

Headquarters, Registered Office and Principal Place of Business	9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Company Secretaries	YI Li 9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
	KWONG Yin Ping Yvonne *(FCIS, FCS)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised Representatives	CHENG Chuange Flat B3, 10/F Block B, Fortune Terrace 4-16 Tak Shing Street Jordan, Kowloon Hong Kong
	KWONG Yin Ping Yvonne *(FCIS, FCS)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Executive Committee	TAN Yueheng *(Chairman)* LI Ying CHENG Chuange
Audit and Risk Management Committee	LIN Zhijun *(Chairman)* TSE Yung Hoi LIN Zhihong
Remuneration Committee	TSE Yung Hoi *(Chairman)* MA Ning LIN Zhijun SHOU Fugang
Nomination Committee	TAN Yueheng *(Chairman)* WANG Yijun TSE Yung Hoi MA Ning LIN Zhijun
Compliance Adviser	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

Principal Bankers	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 4-4A Des Voeux Road Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong Industrial Bank Co., Ltd. Hong Kong Branch 39/F, ICBC Tower 3 Garden Road Central Hong Kong Agricultural Bank of China, Hong Kong Branch 25/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong China CITIC Bank International Limited 232 Des Voeux Road Central Hong Kong OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company's Website	**www.bocomgroup.com** *(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)*

This section contains information and statistics on the industry in which we operate. We have extracted and derived such information and data, in part, from various official and publicly available sources. In addition, certain information and data contained in this section are derived from the following third party data providers, and were not commissioned by us or the Joint Sponsors:

- *Dealogic: Dealogic is a global financial technology platform with more than 30 years' experience. The firm offers integrated content, analytics and technology via a single complete solution to top financial firms worldwide. Data and information provided by Dealogic is collected independently by the firm from various public sources, including, among others, stock exchange announcements, offering circulars and prospectuses. This prospectus includes information which has been sourced from Dealogic. All rights in such information are reserved by Dealogic. Such information must not be further reproduced, disclosed or used in whole or in part without the prior written consent of Dealogic. Neither Dealogic, nor its agents or employees, makes any guarantees, representations or warranties (whether express or implied) as to the suitability or fitness for a particular purpose, accuracy or completeness of the data included in this prospectus. Neither Dealogic, nor its agents or employees, accepts any liability for any loss or damage (whether direct or indirect) whatsoever resulting from reliance on such information or resulting from any decision, action or non-action based on or in reliance upon such information by any person.*

- *Bloomberg L.P. ("Bloomberg"): Bloomberg is a privately held financial software, data and media company headquartered in midtown Manhattan, New York City. Bloomberg provides financial software tools such as an analytics and equity trading platform, data services, and news to financial companies and organisations.*

- *World Federation of Exchanges: World Federation of Exchanges is a global industry association for exchanges and clearing houses. World Federation of Exchanges maintains a statistics database of data from exchanges worldwide.*

We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have 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 us or any of the Relevant Persons, and no representation is given as to its accuracy or completeness of the information set out in this section. Accordingly, the information provided by the official and publicly available or other third-party sources as contained herein may not be accurate and should not be unduly relied upon.

In respect of the information which has been directly or indirectly derived from HKEX's or SFC's documents or website as indicated, HKEX and the SFC, as the case may be, and their respective subsidiaries, make no representation as to the accuracy, completeness or reliability of the information and shall not be responsible for any consequential effect, nor be liable for any loss or damage howsoever caused arising from any inaccuracy or omission of the information, or any decision, action or non-action based on or in reliance upon such information by any person.

HONG KONG SECURITIES INDUSTRY

As Asia's international financial centre, Hong Kong is one of the world's largest securities markets by market capitalisation. It is also one of the major listing centres for PRC companies, serving as the country's key link to the global capital markets and playing a pivotal role in the PRC's economic development.

HKEX is a leading global operator of exchanges and clearing houses based in Hong Kong that operates the Stock Exchange and the Futures Exchange. The Stock Exchange is a world-leading capital raising venue for Hong Kong, PRC and international issuers. As at 31 December 2016, the Stock Exchange was the eighth largest stock market in the world and the fourth largest in Asia in terms of market capitalisation. As at 31 December 2016, total market capitalisation of the Stock Exchange amounted to US$3,193.2 billion. The following table sets forth the top stock exchanges around the globe by market capitalisation as at 31 December 2016:

	Worldwide Ranking[6]	Ranking in Asia[6]	Market Capitalisation (US$ in billions)
U.S. (NYSE Euronext)	1	—	19,573.1
U.S. (Nasdaq OMX)	2	—	7,779.1
Japan (Tokyo)[1]	3	1	5,061.5
China (Shanghai)	4	2	4,104.0
UK (London Stock Exchange Group)[2]	5	—	3,622.4
Europe (NYSE Euronext)[3]	6	—	3,492.6
China (Shenzhen)	7	3	3,216.8
Hong Kong[4]	***8***	***4***	***3,193.2***
Canada (Toronto)[5]	9	—	2,041.5
Germany (Deutsche Börse)	10	—	1,732.3

Source: SFC's website citing World Federation of Exchanges and Bloomberg

Notes:

(1) Comprises Tokyo Stock Exchange and Osaka Securities Exchange

(2) Comprises London Stock Exchange and Borsa Italiana

(3) Comprises Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris

(4) Includes GEM

(5) Includes TSX Venture

(6) Ranking is based on market capitalisation, which excludes investment funds. All World Federation of Exchanges (WFE) member stock exchanges, not solely the main exchange for each country, are included in the ranking.

The Shanghai-Hong Kong Stock Connect, a pilot programme that links the stock markets in Shanghai and Hong Kong, was launched in 2014. It allows investors in Hong Kong and the PRC to trade and settle shares listed on each other's market via the exchange and clearing house in their home market, promoting fund flows in both directions. Moreover, the establishment of the Shenzhen-Hong Kong Stock Connect on 5 December 2016 is expected to provide access to the PRC stock markets for global investors as well as broaden the access of PRC investors to the Hong Kong stock market.

Corporate Finance and Underwriting Business in Hong Kong

The Stock Exchange provides capital formation opportunities for both established companies with a track record of profits via the Main Board and companies with growth potential via GEM.

According to the HKEX, in 2016, an aggregate of HK$195.3 billion of IPO equity funds was raised through HKEX, with a total of 120 IPOs launched (excluding listings moved from GEM to the Main Board).

According to the HKEX, the number of listed companies on the Main Board increased by 75.7% from 975 companies as at 31 December 2006 to 1,713 as at 31 December 2016, while total market capitalisation increased by 84.5% from HK$13,248.8 billion to HK$24,450.4 billion during the same period.

The following table sets forth basic information regarding newly listed securities on both the Main Board and GEM of the Stock Exchange as at the dates or for the years indicated:

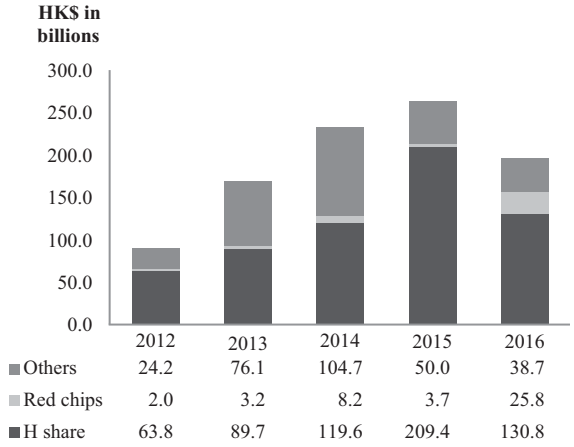
	As at or for the year ended 31 December				
	2012	2013	2014	2015	2016
Number of new listed companies[1]	64	110	122	138	126
Newly listed companies	62	102	115	124	120
Transfer of listing from GEM	2	8	7	14	6
Equity funds raised *(HK$ in billions)*	305.4	378.9	942.7	1,115.6	490.0
IPOs *(HK$ in billions)*	90.0	169.0	232.5	263.1	195.3
Secondary market *(HK$ in billions)*	215.4	209.9	710.2	852.5	294.7

Source: HKEX Fact Book 2016

Note:

(1) A company with its listing transferred from GEM to the Main Board is included.

The following graph illustrates a breakdown of equity funds raised through IPO transactions for the years indicated:

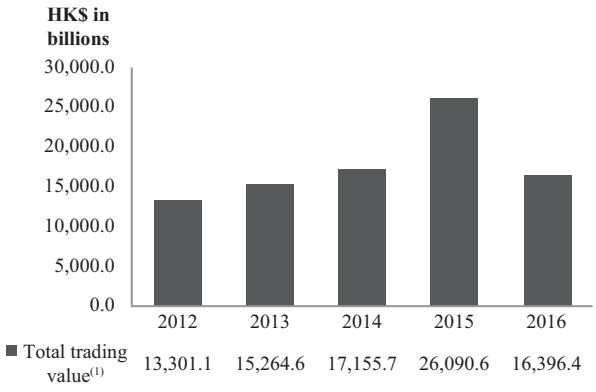


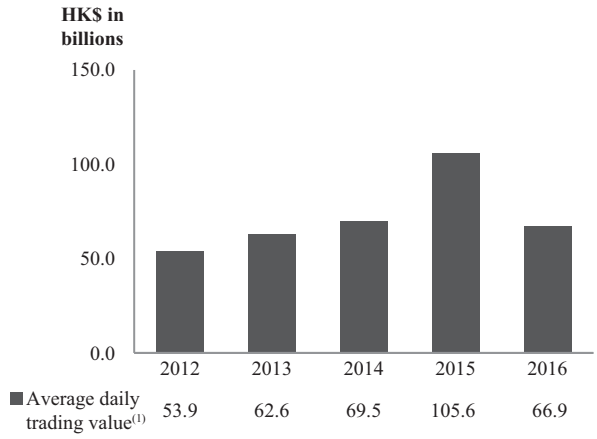
Sources: HKEX Fact Books 2014 and 2016

One of the Stock Exchange's objectives is to promote capital formation in both Hong Kong and the PRC. According to its recent strategic plan, HKEX aims to connect China with the world and become the global exchange of choice across asset classes for both PRC clients and international clients seeking China exposure. As at 15 December 2016, according to HKEX, taking into account PRC private companies incorporated overseas but listed in Hong Kong, there were 999 mainland enterprises (including H-share, red chip and non-H share mainland private companies) listed on the Main Board and GEM, representing 62.8% of the total market capitalisation, compared to 721 PRC-based listed companies that represented 57.4% of the total market capitalisation as at 31 December 2012. We expect the number of PRC companies listed in Hong Kong to increase as more PRC companies seek to raise foreign capital to fuel business growth. See "*— Growth Drivers and Development Trends of Hong Kong Securities Industry — Continual development of the PRC macro economy*".

Securities Brokerage Business in Hong Kong

The Stock Exchange operates two markets for securities trading, the Main Board and GEM. The following graphs illustrate the total trading value and the average daily trading value of the Stock Exchange for the years indicated:





Source: HKEX Fact Book 2016
Note:
(1) Trading value has been adjusted for late reported and rejected sales.

According to the HKEX, for the northbound trading of the Shanghai-Hong Kong Stock Connect, the average daily trading value amounted to RMB3,213.4 million in 2016 compared to RMB6,368.2 million in 2015.

Stock Exchange Participants

Only a Stock Exchange Participant is able to trade through the facilities of the Stock Exchange. According to the HKEX, as at 31 December 2016, there were a total of 592 Stock Exchange Participants, including 556 trading participants and 36 non-trading participants.

Stock Exchange Participants are classified into the following three groups:

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

The following table sets forth the market share distribution of the foregoing three groups by trading value for the years indicated:

	Year ended 31 December				
	2012	2013	2014	2015	2016
			(%)		
Group A	57.7	56.0	54.2	52.3	56.6
Group B	31.8	32.5	34.2	35.3	32.9
Group C	10.5	11.5	11.6	12.4	10.5

Source: HKEX Fact Book 2016

Group A firms are engaged mainly in institutional trading, predominantly serving large overseas institutional clients. Group B firms are engaged in a mixture of overseas and local institutional trading and retail trading. Group C firms historically had the majority of the retail trading volume in Hong Kong, but whose market shares have been gradually taken by large institutions from Group A and Group B firms which have sufficient economies of scale to offer more comprehensive and sophisticated services than those of Group C firms.

Composition of investors in the Hong Kong Capital Markets

According to the Cash Market Transaction Survey 2014/15 of Exchange Participants' transactions on both the Main Board and GEM for the 12 month period from October 2014 to September 2015 conducted by the Stock Exchange, principal trading by Stock Exchange Participants contributed to 21.9% of the total trading value. During the same period, of the remaining 78.1% of the total contribution of the investors, 49.7% came from local investors and 50.3% from non-local investors, while 35.2% came from retail investors and 64.8% from institutional investors. The top three major origins of non-local investor trading were the United Kingdom, the U.S. and the PRC.

Securities products traded on the Stock Exchange

Securities traded on the Main Board of the Stock Exchange primarily include equity securities, debt securities, depositary receipts, stapled securities, unit trusts, mutual funds such as ETFs, leveraged and inverse products and real estate investment trusts, as well as structured products such as derivative warrants, callable bull/bear contracts and listed equity linked instruments. Meanwhile, securities traded on GEM primarily include equity securities, equity warrants, derivative warrants and debt securities of GEM issuers.

The following table sets forth the total trading value by product type on both the Main Board and GEM of the Stock Exchange for the years indicated:

	For the year ended 31 December				
	2012	2013	2014	2015	2016
	(HK$ in billions)				
Equities	9,529.1	11,221.9	12,636.8	17,482.2	11,173.1
Equity warrants	0.1	0.1	3.1	4.0	0.4
Derivative warrants	1,646.4	1,783.3	2,044.5	4,504.1	2,727.0
Callable bull/bear contracts	1,533.2	1,269.2	1,230.0	1,836.9	1,371.6
Debt securities	2.8	4.5	6.1	9.4	21.3
Unit trusts and mutual funds	589.5	985.7	1,235.4	2,254.1	1,013.1

Source: HKEX Fact Book 2016

Equity Securities

Equity securities, generally referred to as shares, comprise ordinary shares and preferred shares, representing ownership units in the issuing company. Most of the equity securities listed on the Stock Exchange are ordinary shares, which account for most of the trading value of the Stock Exchange.

The following table sets forth basic information regarding listed securities on both the Main Board and GEM of the Stock Exchange as at the dates indicated:

	As at 31 December				
	2012	2013	2014	2015	2016
Listed securities					
No. of listed companies	1,547	1,643	1,752	1,866	1,973
No. of listed securities	6,903	8,522	9,060	9,015	8,591
Total market capitalisation *(HK$ in billions)*	21,950.1	24,042.8	25,071.8	24,683.7	24,761.3

Source: HKEX Fact Book 2016

Debt Securities

The following table sets forth selected information about debt securities listed on the Main Board for the years indicated:

	Year ended 31 December									
	2012		2013		2014		2015		2016	
	No. of issues	Nominal amount (HK$ in billions)	No. of issues	Nominal amount (HK$ in billions)	No. of issues	Nominal amount (HK$ in billions)	No. of issues	Nominal amount (HK$ in billions)	No. of issues	Nominal amount (HK$ in billions)
Hong Kong	215	653.9	331	1,115.0	536	1,846.0	645	2,261.1	734	2,647.2
PRC	34	114.1	47	150.4	79	256.4	90	330.7	129	465.7
Foreign	19	114.4	24	112.0	24	117.5	26	148.7	28	144.4
Supranational	1	1.4	1	1.4	1	1.4	1	1.4	1	1.4
Total	**269**	**883.8**	**403**	**1,378.8**	**640**	**2,221.3**	**762**	**2,741.9**	**892**	**3,258.7**

Source: HKEX Fact Book 2016

Futures Trading in Hong Kong

The Futures Exchange was established in 1976 and licensed by the Hong Kong government as the exchange company to establish and operate the commodity exchange in Hong Kong pursuant to the relevant legislation. It provides efficient and diversified markets for the trading of futures and option contracts by its Futures Exchange Participants, including many that are affiliated with international financial institutions. The Futures Exchange offers a spectrum of financial products, including stock futures, index futures and options, and interest rate futures.

The following table sets forth the contract volume and year-end open interest of futures and options products traded on the Futures Exchange for the years indicated:

	Year ended 31 December				
	2012	2013	2014	2015	2016
All futures and options products					
Contract volume[1]	119,802,638	130,028,864	142,439,039	189,824,363	188,150,672
Open interest at the year end[2]	5,317,952	6,230,082	7,960,406	7,266,980	9,296,110

Sources: HKEX Fact Books 2014 and 2016

Notes:

(1) It refers to the number of contracts traded, counted on a one-way basis.

(2) It refers to the total number of options contracts which are outstanding (not closed or exercised) at the year end.

Futures Exchange Participants

Only a Futures Exchange Participant holding a Futures Exchange trading right is able to trade through the facilities of the Futures Exchange. To become a Futures Exchange Participant, a company is required to be registered with the SFC as a licensed corporation to carry out Type 2 (Dealing in futures contracts) regulated activity under the SFO and meet certain financial resources requirements as stipulated in the statutes and the rules of the Futures Exchange, among other things. According to the HKEX, as at 31 December 2016, there were a total of 180 Futures Exchange Participants.

Margin Financing Business in Hong Kong

Margin financing refers to the business in which brokers lend money to their clients, secured by their securities as collateral. These clients can then purchase securities with a higher leverage and higher expected returns, while the brokers can achieve diversified revenue sources by generating interest income from such lending business. The following table sets forth some basic information on the margin financing business in Hong Kong for the years indicated:

	As at 31 December				
	2012	2013	2014	2015	2016
Number of active margin clients[1]	139,375	150,545	181,593	241,948	267,132
Amounts receivable from margin clients *(HK$ in millions)*	58,812	85,794	111,549	145,307	171,633
Average collateral coverage[2]	4.2 times	3.9 times	4.2 times	4.4 times	4.0 times

Sources: SFC Financial Reviews of the Securities Industry (for the years ended 31 December 2012, 2013, 2014, 2015 and 2016)

Notes:

(1) Active margin clients refers to margin clients for whom the licensed corporation is required to prepare and deliver monthly statements of accounts in respect of the relevant reporting month under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

(2) This refers to the number of times the aggregate market value of securities collateral deposited by margin clients over the total amount of margin loan due from these margin clients on a given date on an industry-wide basis.

According to the SFC Financial Reviews of the Securities Industry (for the years ended 31 December 2014, 2015 and 2016), the net profit of all securities dealers and securities margin financiers (corporations licensed for dealing in securities or securities margin financing, including both Stock Exchange Participants and non-Stock Exchange participants unless otherwise specified) totalled HK$21.0 billion in 2016, compared to HK$43.2 billion in 2015 and HK$26.6 billion in 2014. In 2016, the total value of transactions of all securities dealers and securities margin financiers amounted to HK$63,495.1 billion, compared to HK$84,787.5 billion in 2015 and HK$57,970.0 billion in 2014. Together with the increase in the number of active margin clients, the increase in the total outstanding margin loans in Hong Kong, which led to an increase in interest income from margin loans, has contributed to the growth of the margin financing business in Hong Kong. As at 31 December 2016, the outstanding margin loans in Hong Kong totalled HK$171.6 billion, compared to HK$145.3 billion as at 31 December 2015 and HK$111.5 billion as at 31 December 2014.

GROWTH DRIVERS AND DEVELOPMENT TRENDS OF HONG KONG SECURITIES INDUSTRY

Internationalised capital markets

The high level of openness to, and freedom of, capital flows has contributed greatly to the internationalisation of the Hong Kong securities industry. This has also attracted financial institutions around the world, the participation of which has further stimulated the evolution and growth of Hong Kong as a leading financial centre.

Offshore investment of PRC investors

As an international financial hub and offshore Renminbi centre backed by mature financial and transparent legal systems, Hong Kong has benefited, and we expect it to continue to benefit from, the influx of capital from the PRC, particularly with the introduction of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect programmes. The increasing internationalisation of the PRC stock markets has attracted investments from overseas, while PRC investors are likely to seek investment opportunities with higher and stable returns in light of the continual adjustment of the PRC deposit interest rates and fluctuations in exchange rates. We expect that Hong Kong, serving as the bridge between the PRC and the overseas markets, will benefit from these trends.

Continual development of the PRC macro economy

Hong Kong has benefited from the growth of the PRC economy and has become the home listing venue for a large number of PRC companies. According to the HKEX, as at 31 December 2016, the number of PRC-based companies accounted for 50.8% of total number of listed companies on the Stock Exchange, representing 70.6% of the total equity trading value of the HKEX in 2016. We expect the stable growth and continual development of various industries in the PRC to continuously foster the performance of the Hong Kong capital markets.

Evolving and comprehensive regulatory regime

The current legal regime that regulates the Hong Kong securities industry, the SFO, was initially implemented in 2003 and has since provided comprehensive supervision over this industry. The supervision by the SFC and HKEX of the Hong Kong capital markets ensures regular and normal operations of the markets, and strengthens and protects the integrity and soundness of the markets for the benefit of investors and the industry as a whole. The launch of the Shanghai-Hong Kong Stock Connect in November 2014, and the launch of the Shenzhen-Hong Kong Stock Connect in December 2016, established mutual stock market access between Hong Kong and the PRC. In December 2014, two measures, namely (i) streamlining of the tenors of bonds issued under the Exchange Fund Bills and Notes Programme and the Hong Kong Government Bonds Programme and (ii) the discount facility for Hong Kong Government Bonds, were introduced by the HKMA, which has promoted the development of the local Hong Kong dollar bond market.

ENTRY BARRIERS AND COMPETITIVE LANDSCAPE IN THE HONG KONG SECURITIES INDUSTRY

Entry Barriers

In Hong Kong, dealing in securities is a regulated activity under the SFO and is governed by the relevant rules and regulations. The SFC is responsible for regulating the securities markets and administering the SFO, which, together with its subsidiary legislation, is the principal legislation which regulates the securities industry in Hong Kong. New entrants to the securities industry who wish to carry on regulated activities must be licensed by the SFC to become a licensed corporation, and each licensed corporation must have no less than two Responsible Officers approved by the SFC as stipulated in the SFO to directly supervise the conduct of each regulated activity. These new entrants must also comply with the Securities and Futures (Financial Resources) Rules to meet certain capital requirements, and are required to periodically report their financial positions to the SFC. See "*Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview — I. Overview of The Laws and Regulations Relating to the Group's Business Operations in Hong Kong — 5. The Securities and Futures (Financial Resources) Rules of Hong Kong*".

Competitive Landscape

Market Participants

There are primarily three types of market participants in the Hong Kong securities industry: international investment banks, securities firms with PRC background and local securities companies. As the Hong Kong securities industry develops and its connections with the PRC market increase, these market participants each compete for a larger market share. Among these participants, international investment banks and large-scale securities firms with a PRC background have a comparatively large market share in terms of trading value and the number of transactions.

Corporate Finance and Underwriting Business

According to the HKEX, in 2016, we, acting as a sponsor for Hong Kong IPO deals on the Main Board, ranked 14th by deal number among all securities firms in Hong Kong, and ranked 9th by deal number among all securities firms with a PRC background in Hong Kong.

The following tables set forth the ranking of all securities firms in Hong Kong and securities firms with a PRC background in Hong Kong acting as a sponsor for Hong Kong IPO deals on the Main Board by deal number in 2016:

Rank	All Securities Firm in Hong Kong	Number of Hong Kong IPO sponsor deals on the Main Board in 2016	Rank	Securities Firm with a PRC Background in Hong Kong	Number of Hong Kong IPO sponsor deals on the Main Board in 2016
1	Merrill Lynch Far East Ltd, China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Capital Ltd, Morgan Stanley Asia Limited	6	1	China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Capital Ltd	6
5	BOCI Asia Ltd, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C.	5	3	BOCI Asia Ltd	5
8	CCB International Capital Limited, CITIC CLSA Capital Markets Ltd, Haitong International Capital Ltd	4	4	CCB International Capital Limited, CITIC CLSA Capital Markets Ltd, Haitong International Capital Ltd	4
11	ABCI Capital Ltd, China Merchants Securities (HK) Co., Ltd, J.P. Morgan Securities (Far East) Ltd	3	7	ABCI Capital Ltd, China Merchants Securities (HK) Co., Ltd	3
14	BNP Paribas Securities (Asia) Ltd, ***BOCOM International Asia,*** China Securities (International) Corporate Finance Company Ltd, Citigroup Global Markets Asia Ltd, Deutsche Securities Asia Ltd, UBS Securities Hong Kong Ltd	***2***	***9***	***BOCOM International Asia,*** China Securities (International) Corporate Finance Company Ltd	***2***

Source: HKEX New Listing Report — Main Board 2016

In addition, according to Dealogic, in 2016, we, acting as a joint global coordinator for Hong Kong IPO deals on the Main Board, ranked 14th and 23rd, respectively, by deal number and deal value among all securities firms in Hong Kong, and ranked 9th and 12th, respectively, by deal number and deal value among all securities firms with a PRC background in Hong Kong. Meanwhile, according to Bloomberg, in 2016, we, acting as a bookrunner and/or a global coordinator for Hong Kong IPO deals on the Main Board, ranked 8th and 12th, respectively, by deal number and deal value among all securities firms in Hong Kong, and ranked 8th and 10th, respectively, by deal number and deal value among all securities firms with a PRC background in Hong Kong.

Securities Brokerage Business

According to HKEX, in 2016, the market share held by Group A, Group B and Group C of the Stock Exchange Participants was 56.6%, 32.9% and 10.5%, respectively.

We belong to Group B. On 1 April 2003, the minimum brokerage commission rates in respect of securities and commodities trading were deregulated, which has further intensified competition within the securities brokerage business in Hong Kong.

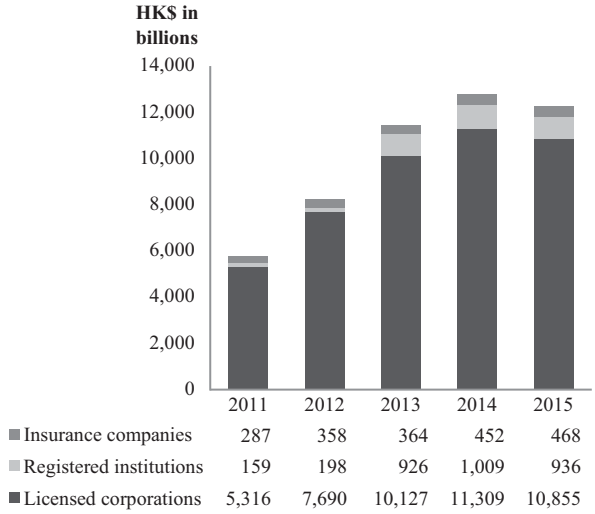
Margin Financing Business

According to the SFC Financial Reviews of the Securities Industry (for the years ended 31 December 2014, 2015 and 2016), as at 31 December 2014, 2015 and 2016, there were 951, 1,002 and 1,104 securities dealers and securities margin financiers in Hong Kong, respectively, serving 181,593, 241,948 and 267,132 active margin clients, respectively.

HONG KONG ASSET MANAGEMENT INDUSTRY

Asset management refers to the asset trust and management of securities firms holding a Type 9 licence (Asset management), primarily including fund management and other related services that manage various types of assets such as shares, bonds, derivatives and real estate depending on the investors' needs. Major market players engaging in the Hong Kong asset management business comprise licensed corporations (such as securities firms or asset management companies licensed by the SFC), registered institutions (such as banks or deposit-taking companies engaging in the asset management business) and insurance companies. According to the market and industry statistics published on the SFC's website, as at 31 December 2015, the number of corporations licensed for asset management was 1,135, representing an increase of 10.1% from 1,031 in 2014, which further increased to 1,300 as at 31 December 2016.

The following graph illustrates a breakdown of the AUM of the foregoing three types of market players of the Hong Kong asset management industry for the years indicated:



Sources: SFC Fund Management Activities Surveys 2011 to 2015

OVERVIEW OF THE GROUP'S HISTORY

The Group's history dates back to 1998 when the Company was founded as BCOM Securities Company Limited. See "*Relationship with the BOCOM Group*" for further details of BOCOM which is the ultimate controlling shareholder of the Company. The Group underwent a business restructuring in 2007 and the name of the Company was changed to BOCOM International Holdings Company Limited on 2 May 2007. The Group's principal businesses comprise securities brokerage and margin financing, corporate finance and underwriting, investment and loans, and asset management and advisory. See "*Business*".

Since the Company's establishment in 1998, it has grown to become one of the largest securities firms specialising in securities brokerage, corporate finance, underwriting and asset management businesses in Hong Kong.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of the Group's key corporate and business development milestones:

Year	Event
1998	BCOM Securities Company Limited was established.
2007	The name of BCOM Securities Company Limited was changed to BOCOM International Holdings Company Limited.
	BOCOM International Securities, BOCOM International Asset Management and BOCOM International Asia were established. The Group was licensed to conduct the regulated activities of dealing in securities and futures contracts, advising on corporate finance and asset management.
2008	BOCOM International Securities became a participant of the Futures Exchange and commenced the provision of futures trading services.
2009	BOCOM International Asset Management established its first privately offered fund, BOCOM International Dragon Secular Growth Fund.
2010	The Group set up onshore and offshore direct investment platforms by establishing BOCOM International (Shanghai) and BOCOM International China Fund L.P., its first U.S. dollar private equity fund.
	The Group established its first retail mutual fund, BOCOM International Dragon Core Growth Fund.
2011	The Group established its first RMB private equity fund in the PRC, BOCOM International (Shanghai) Equity Investment Fund I L.P. (交銀國際一期 (上海) 股權投資基金合夥企業 (有限合夥)).
2012	BOCOM International was named the Best Chinese Investment Bank in Hong Kong in the "2012 China Best Investment Bank Awards" organised by Securities Times.
2013	The Group set up its first debt fund, Global Strategic Emerging Markets Bond Fund.
	BOCOM International was named Hong Kong's No. 3 Best Local Broker by Asian Currency.
2014	The Group established its first RQFII fund with investment primarily in A shares, BOCOM International China Dynamic Fund.
	BOCOM International was named one of the Top 10 Overseas IPO Lead Underwriters of PRC Companies by Zero2IPO Group.
	BOCOM International was named the Best Investment Bank with a PRC Background in Hong Kong and the Best Securities Firm Brand in Hong Kong in the 12th China's Financial Annual Champion Awards by hexun.com (和訊網).
2015	BOCOM International was named the Most Popular Securities Firm for Investors in the PRC and Hong Kong and Securities Firm with the Best Research Team by Hong Kong Commercial Daily.

Year	Event
	BOCOM International was named the Best Investment Bank in the 5th China Securities Gold Bauhinia Awards organised by Ta Kung Pao (《大公報》).
	BOCOM International was named the Best Securities Firm Brand in Hong Kong in the 13th China's Financial Annual Champion Awards by hexun.com (和訊網) and (SEEC) Media Group Limited (財訊傳媒).
2016	BOCOM International Futures was established.
	BOCOM International was named the Best Hong Kong Share Securities Firm by qq.com. (騰訊網).
	BOCOM International was named the Best IPO Sponsor by China Financial Market (《中國融資》).
	BOCOM International was named Top 3 Best Independent Research Securities Firm by Asiamoney.

STEPS TAKEN IN PREPARATION FOR THE GLOBAL OFFERING

In preparation for the Global Offering, the Company implemented the following steps:

1. Conversion of the Company to a Public Company

On 19 April 2017, the Company was converted to a public company with limited liability.

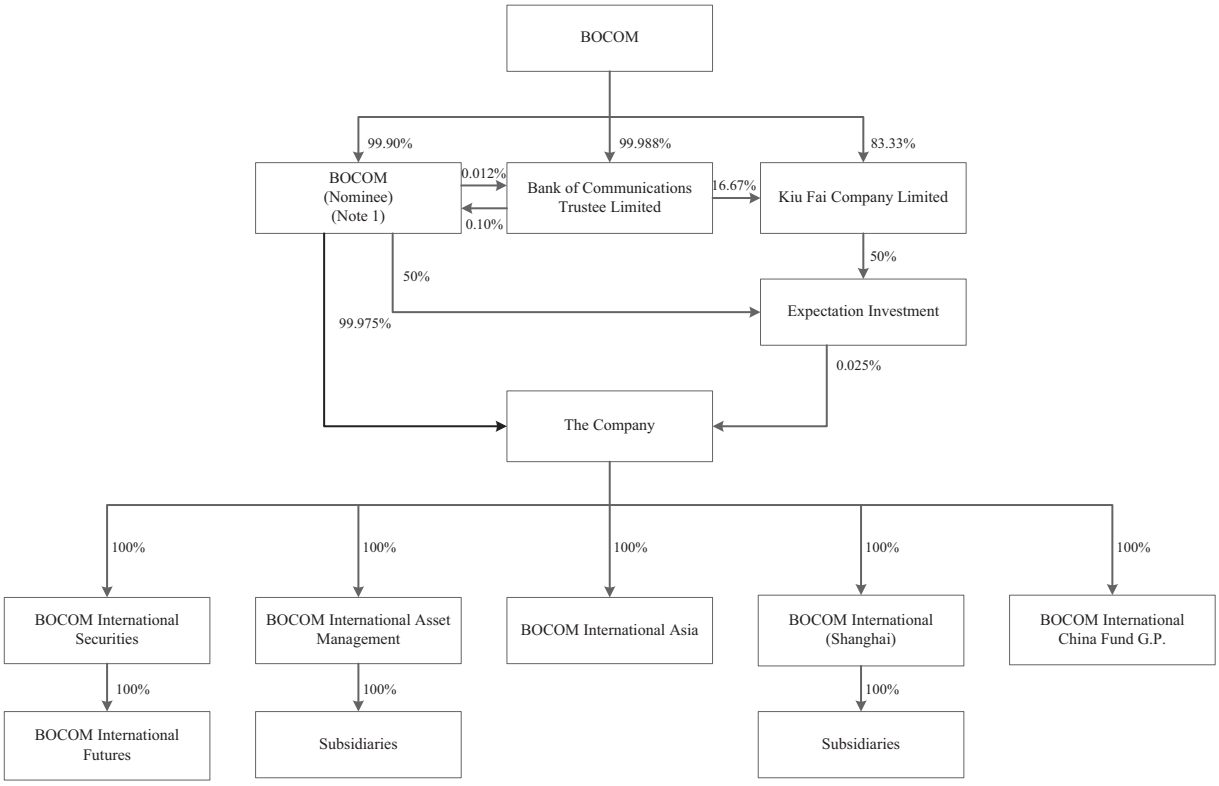
2. Termination of Nominee Shareholding Arrangements in relation to Certain Subsidiaries

Expectation Investment held 0.02%, 0.2% and 2% in the share capital of BOCOM International Securities, BOCOM International Asset Management and BOCOM International Asia (the "Nominee Shareholding"), respectively, as a nominee on behalf of the Company pursuant to three trust deeds dated 18 May 2007. In order to simplify the shareholding structure, on 9 January 2017, the nominee shareholding arrangements in relation to these subsidiaries were terminated and the Nominee Shareholding was transferred from Expectation Investment to the Company for no consideration. The transfer was completed on 9 January 2017 and BOCOM International Securities, BOCOM International Asset Management and BOCOM International Asia became wholly-owned subsidiaries of the Company.

CORPORATE STRUCTURE

Corporate Structure as at the date of this prospectus

The simplified corporate structure of the Group as at the date of this prospectus is as follows:

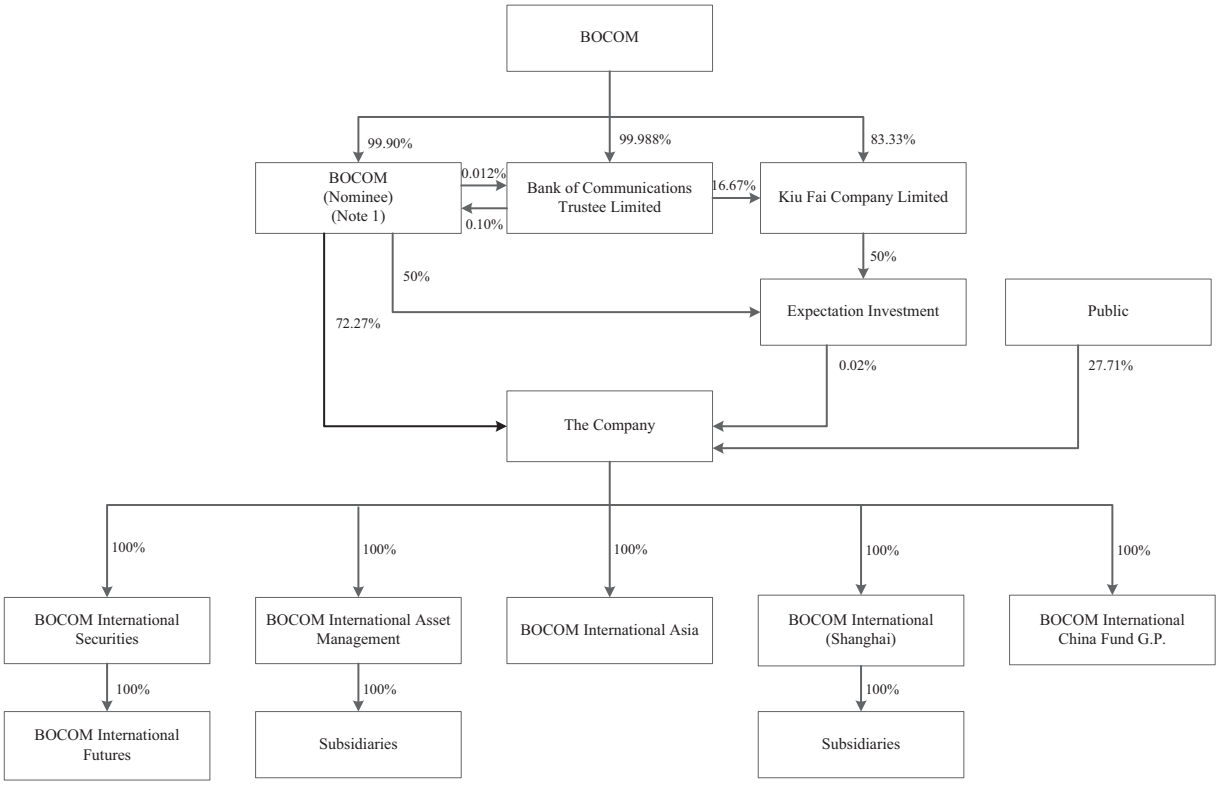


Note:

(1) BOCOM (Nominee) holds its Shares in the Company as a nominee on behalf of BOCOM pursuant to trust deeds executed by BOCOM (Nominee).

Corporate Structure Immediately following the Completion of the Global Offering

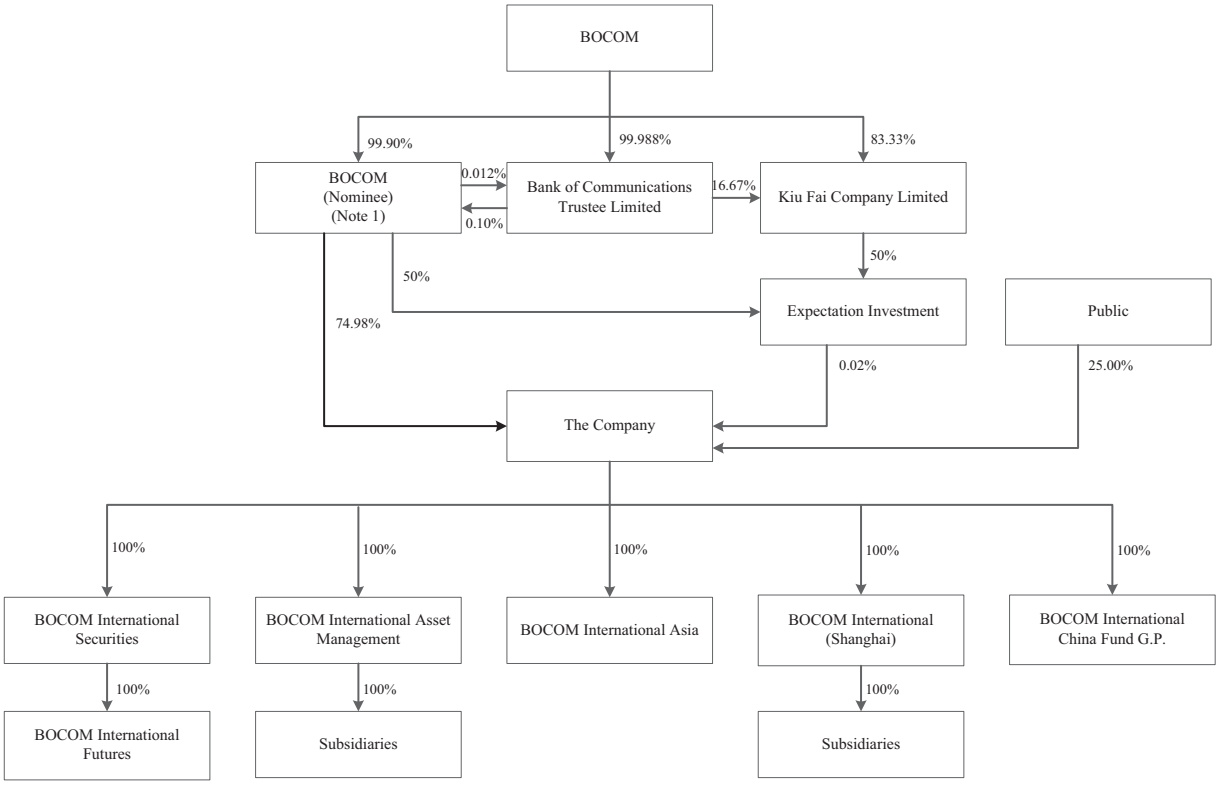
Immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full), the simplified corporate structure of the Group will be as follows:



Note:

(1) BOCOM (Nominee) holds its Shares in the Company as a nominee on behalf of BOCOM pursuant to trust deeds executed by BOCOM (Nominee).

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the simplified corporate structure of the Group will be as follows:



Note:

(1) BOCOM (Nominee) holds its Shares in the Company as a nominee on behalf of BOCOM pursuant to trust deeds executed by BOCOM (Nominee).

For the respective date of incorporation of each of the principal subsidiaries of the Company, see "*Appendix I — Accountant's Report*".

SPIN-OFF OF THE GROUP FROM BOCOM

BOCOM believes that the Spin-off will better position the BOCOM Group and the Group for growth in their respective businesses and deliver benefits to both groups. The Spin-off will facilitate the further growth and business transformation of the Group and provide investors with a clear indicator of the standalone valuation of the Group, which may enhance the overall value of BOCOM.

The Spin-off will strengthen the operational management ability of both the BOCOM Group and the Group, where their management teams can focus more effectively on their respective businesses. The Spin-off will also allow the Group to enhance its corporate governance through public scrutiny.

The Spin-off will create a new investor base for the Group as it will be able to attract strategic investors who are seeking investments specifically in the securities and asset management sector.

As a result of the Spin-off, the BOCOM Group and the Group will have separate fundraising platforms, which will increase their respective financial flexibility and enhance their ability to maintain stable cash flow to support sustainable growth.

The Group's revenues and profits will continue to be consolidated in the financial statements of BOCOM following the Spin-off, which will benefit the overall financial performance of BOCOM. In addition, the Spin-off

will enhance the brand value and market influence of the BOCOM Group, facilitate the transformation and development of the BOCOM Group, further consolidate the core competitiveness of the BOCOM Group and promote its sustainable development.

The Spin-off, if it proceeds, will not constitute a notifiable transaction for BOCOM under the Listing Rules. As required under applicable PRC laws and regulations, the approval of the shareholders of BOCOM for the Spin-off was obtained at the first extraordinary general meeting of BOCOM of 2016 held on 28 October 2016 (the "BOCOM EGM").

The proposal in relation to the Spin-off was submitted by BOCOM to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules ("Practice Note 15"), and the Stock Exchange has confirmed that BOCOM may proceed with the proposed Spin-off. The Spin-off by BOCOM complies with the requirements of Practice Note 15.

Practice Note 15 requires BOCOM to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the Shares, either by way of a distribution in specie of existing Shares or by way of a preferred application in the offering of existing or new Shares (the "Assured Entitlement"). Practice Note 15 provides that the minority shareholders of BOCOM may by resolution in general meeting resolve to waive the Assured Entitlement.

BOCOM put forward a proposal to the BOCOM EGM, the 2016 first BOCOM A Shareholders' class meeting and the 2016 first BOCOM H Shareholders' class meeting held on 28 October 2016 to approve the provision of the Assured Entitlement to Shares to the BOCOM H Shareholders only. This is because due to the provisions of certain PRC laws and regulations, BOCOM is restricted from providing the Assured Entitlement to all BOCOM A Shareholders. In addition, due to the restrictions on profit distribution under PRC law and the articles of association of BOCOM, BOCOM will not be able to, by way of distribution in specie, distribute the Shares to the shareholders of BOCOM in order to provide them with the Assured Entitlement.

At each of the BOCOM EGM, the 2016 first BOCOM A Shareholders' class meeting and the 2016 first BOCOM H Shareholders' class meeting, the resolution to approve the provision of the Assured Entitlement to the BOCOM H Shareholders only was approved by the shareholders of BOCOM. As a result, the Assured Entitlement to the Shares in the Spin-off will be provided to the BOCOM H Shareholders only.

See "*Structure of the Global Offering — The Preferential Offering*" for details of the Preferential Offering to Qualifying BOCOM H Shareholders.

OVERVIEW

We are a well-established and the only integrated platform for securities and related financial services of BOCOM in Hong Kong, one of the State-Owned Joint Stock Commercial Banks. Founded in 1998, we were one of the earliest licensed securities firms with a PRC background in Hong Kong and have weathered many economic and industry cycles as well as regulatory reforms. Our objectives are to offer one-stop securities and financial services for our clients and to expand our international operations. Leveraging BOCOM's long established client base in Hong Kong and the PRC, wide brand recognition and industry expertise, we have been able to capitalise on our competitive strengths to increase client adhesion and create value for our clients and shareholders.

We believe that one of our core competitive strengths is our ability to offer comprehensive and integrated securities and financial products and services to our clients. Our principal business lines comprise the following:

Securities Brokerage and Margin Financing	Corporate Finance and Underwriting	Investment and Loans	Asset Management and Advisory
● Securities brokerage ● Margin financing	● IPO sponsorship and financial advisory ● Equity underwriting and placing ● Debt underwriting	● Equity and fixed income investment ● Structured finance and loans ● Direct equity investment	● Mutual fund management ● Specialised asset management ● Private equity fund management ● Investment advisory

We also benefit from our strong equity research capabilities, which have supported all of our business lines and added value to our products and services. We and our research team have received a number of awards in recognition of our outstanding business performance and research capabilities, the most recent of which include the following:

Year	Awards	Organiser/Media
2016	Best Hong Kong Share Securities Firm (最佳港股券商)	qq.com (騰訊)
2016	Best IPO Sponsor (最佳IPO項目保薦人獎)	China Financial Market (《中國融資》)
2016	Top 3 Best Independent Research Securities Firm (最佳獨立研究券商前三名)	Asiamoney (《亞洲貨幣》)
2016	Top 3 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前三名)	Asiamoney (《亞洲貨幣》)
2016	Top 10 PRC Strategist (A share and B share) (最佳中國 (A股及B股) 策略師前十名)	Asiamoney (《亞洲貨幣》)
2015	Best Securities Firm Brand in Hong Kong (最佳香港品牌券商)	hexun.com (和訊網) (SEEC) Media Group Limited (財訊傳媒)
2015	China Securities Golden Bauhinia Awards – Best Investment Bank (中國證券金紫荊獎最佳投行)	Ta Kung Pao (《大公報》)
2015	Most Popular Securities Firm for Investors in the PRC and Hong Kong & Securities Firm with Best Research Team (中港兩地最受投資者歡迎證券商、傑出研究團隊證券商)	Hong Kong Commercial Daily (《香港商報》)
2015	Top 5 Hong Kong Strategist (non-H share, other) (最佳香港 (非H股、其他) 策略員前五名)	Asiamoney (《亞洲貨幣》)
2015	Top 10 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前十名)	Asiamoney (《亞洲貨幣》)
2014	Best Investment Bank with a PRC Background in Hong Kong & Best Securities Firm Brand in Hong Kong (香港最佳中資投行、最佳香港品牌券商)	hexun.com (和訊網)
2014	Top 10 Overseas IPO Lead Underwriters of PRC Companies (中國企業海外上市主承銷商十强)	Zero2IPO Group (清科集團)

Our total revenue and other income in 2014, 2015 and 2016 was HK$781.9 million, HK$1,140.6 million and HK$1,053.0 million, respectively. Our profit for the same years was HK$23.7 million, HK$350.8 million and HK$351.0 million, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

One-stop platform with comprehensive securities and financial services

We provide a one-stop platform of securities and financial services to serve our clients at every stage of their business life cycle and to satisfy investors' various needs. The securities and financial services we offer include securities brokerage and margin financing, IPO sponsorship and financial advisory, underwriting (equity and debt) and placing, structured finance and loans, asset management and investment advisory.

We are committed to providing high quality securities and financial services through capitalising on the expertise of our professionals in Hong Kong, Shanghai and Beijing. Our employees comprise professionals who are familiar with the international capital markets and understand the business culture in the PRC and the business needs of PRC enterprises.

We have adopted a flat management structure in our daily operations, which allows more efficient execution, resource allocation and coordination among different business lines. Such management structure can promote a closer relationship between management and employees and has also contributed to the creation of cross-selling opportunities that lead to the synergies among our business lines to better meet our customers' needs.

Core platform for overseas capital markets services of BOCOM supported by its wide brand recognition and industry expertise

BOCOM, our ultimate controlling shareholder, is one of the State-Owned Joint Stock Commercial Banks. With its origin traced back to 1908, it is one of the banks with the longest history in the PRC. It is well-known for its market-oriented and internationalised operations as well as proven track record. Its century-old brand can also enhance client confidence and assist us with expanding our client base and attracting talent.

As a well-established securities firm in Hong Kong with a PRC background and the only integrated platform for securities and related financial services of BOCOM, we have a thorough understanding of the investment needs of customers in both the PRC and Hong Kong. Through our relationship with the BOCOM Group, we are able to provide our customers with a one-stop platform for internationalised and comprehensive securities and financial services, thereby creating synergies for the Group. In addition, our diversified services and products have enhanced customers' overall satisfaction and loyalty to the BOCOM Group.

Dedicated corporate finance and underwriting team with outstanding execution capabilities

As at 31 December 2016, our corporate finance and underwriting team consisted of 48 professionals who are experienced in securities and financial services, and have an in-depth understanding of the PRC business culture and the business needs of PRC enterprises. Capitalising on the extensive experience and global perspective of our dedicated team, we are able to provide our clients with high quality securities and financial services. As a sponsor, global coordinator, bookrunner and/or lead manager, we participate in a number of capital markets transactions, including IPO sponsorship, secondary market fundraising, and Renminbi, U.S. dollar and Euro denominated bond issues. We are one of the most active participants in the Hong Kong capital markets, with an excellent record of successful deal execution and underwriting completion. During the Track Record Period, we participated in the underwriting of 29 IPOs, raising a total amount of HK$218.7 billion. According to New Listing Report — Main Board 2016 published by HKEX, in 2016, we, acting as a sponsor for two Hong Kong IPO deals on the Main Board, ranked 14th by deal number among all securities firms in Hong Kong, and ranked 9th by deal number among all securities firms with a PRC background in Hong Kong. In addition,

according to Dealogic, in 2016, we, acting as a joint global coordinator for Hong Kong IPO deals on the Main Board, ranked 14th and 23rd, respectively, by deal number and deal value among all securities firms in Hong Kong, and ranked 9th and 12th, respectively, by deal number and deal value among all securities firms with a PRC background in Hong Kong.

Strong and award-winning securities research team

We have a strong securities research team committed to providing independent, reliable value-added analysis and investment strategy advice, which we have leveraged to support our corporate finance and underwriting, securities brokerage and institutional client services.

In 2014, 2015 and 2016, our securities research team and analysts received the following awards from Asiamoney (《亞洲貨幣》) and Institutional Investor (《機構投資者》):

- Top 3 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前三名), 2016
- Top 5 Hong Kong Share Pharmaceutical Analyst (港股最佳醫藥行業分析師前五名), 2016
- Top 10 Hong Kong Share Software, Internet & Services Analyst (香港最佳互聯網軟件與服務行業分析師前十名), 2016
- Top 5 Hong Kong Strategist (non-H share, other) (最佳香港 (非H股、其他) 策略員前五名), 2015
- Top 5 Hong Kong Share Transportation Analyst (最佳交通運輸行業分析師前五名), 2015
- Top 10 Hong Kong Share Consumer Staples Analyst (港股最佳必需品消費行業分析師前十名), 2015
- Top 3 Best Regional Pharmaceutical Analyst in Asia (亞洲區最佳醫藥行業分析師前三名), 2015
- Top 10 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前十名), 2015
- Top 10 Hong Kong Share Strategist (最佳港股策略員前十名), 2014

As at 31 December 2016, our securities research team consisted of 40 strategy and industry analysts and professional staff, located in Hong Kong, Beijing and Shanghai, 21 of which were experienced professionals with nine years of work experience on average in the relevant industries. As at the same date, our securities research team had 33 analysts with master's degrees or above, including three PhDs; and ten of our research team members possessed CFA and/or CPA credentials. We highly value the significance of providing our clients with outstanding independent research support. In 2014, 2015 and 2016, we incurred expenses of HK$36.5 million, HK$57.8 million and HK$49.2 million, respectively, on our research department.

As at 31 December 2016, our securities research team covers 161 stocks of listed companies and 18 industries and sectors, including strategy, banking, non-bank financial, real estate, gaming, leisure, the Internet, technology, consumer staples, consumer discretionary, automobile, transportation, industrials, oil and gas, renewable energy, environmental protection, healthcare and small and mid-cap enterprises. We are widely recognised in terms of the depth of our research across various sectors, with a notable reputation in strategy, Internet and healthcare sectors. We do not charge our clients for these value-added equity research products. However, in recognition of our research analysts' provision of investment recommendations and data support as well as the quality of our research products, certain global asset managers who are readers of our research reports may reward us with discretionary bonuses from time to time. In addition, our securities research team is actively exploring the emerging sectors to capitalise on first-mover advantages.

Fast growing asset management and advisory business

We focus on the development of asset management and advisory business as we believe that it is crucial to satisfy our customers' needs for wealth management services and that it has significant growth potential. Our asset management and advisory business covers a variety of funds, including mutual funds, specialised asset management funds and private equity funds, covering securities such as stocks and bonds denominated in U.S. dollars, Renminbi, and Hong Kong dollars.

In order to capture the emerging opportunities in the PRC market, we established BOCOM International (Shanghai) in 2010, and BOCOM International Equity Investment Management (Shenzhen) Company Limited in Qianhai, Shenzhen in 2016 to expand our existing asset management and advisory business in the PRC. We also obtained QFLP in 2015 and QDIE qualifications in 2016 to develop our Renminbi private equity fund management business. In addition, we offer investment advisory services through BOCOM International (Shanghai), to better serve our clients and maintain and increase their loyalty to us. We also expect that such services could create synergies within our asset management and advisory business and increase the AUM managed by us.

Through continual efforts to expand our customer base, particularly institutional and corporate clients, and to diversify our product offerings, our AUM increased significantly from HK$453.2 million as at 31 December 2014 to HK$13,843.3 million as at 31 December 2016.

Prudent and comprehensive risk management and internal control

We are committed to establishing an effective and comprehensive risk management system. Our risk control system inherits the prudent risk management structure of BOCOM as a commercial bank and is also tailored according to our own business operations and requirements. In 2014, 2015 and 2016, our gearing ratio (which is calculated as total borrowings divided by total equity) was 70.8%, 103.0% and 146.7%, respectively.

We established a three-tier risk management framework, comprising (i) the Board, (ii) the Risk Management Committee, along with seven specialised committees, and (iii) the middle and back offices including the Risk Management Department and the Legal and Compliance Department, along with all of our business units. Businesses with higher risks are subject to more stringent scrutiny according to an authorisation hierarchy that we have structured. We emphasise on inculcating a risk management culture at every level of the Group and achieving a balance between business development and risk management efficiency. We also strive to accomplish strict compliance with the relevant risk management rules and procedures in every department through enhancing our corporate governance, internal control and risk management review and other measures.

We have been continually improving our ability to identify, prevent and mitigate risks to ensure that our expected returns match our risk profiles. We have adopted a risk indicator system, and perform periodic VaR calculations and stress tests to evaluate our ongoing market risk tolerance indicators. We have also devised business continuity and data recovery plans in preparation for unexpected circumstances in our daily operations.

Experienced senior management and a strong professional team

Our senior management comprises experienced professionals from diversified backgrounds with an international outlook. They have an in-depth understanding of the capital markets and customers' needs in both Hong Kong and the PRC. As at 31 December 2016, our senior management team had on average nearly 20 years of experience in securities and finance related industries, and about one third of our senior management held PhD degrees in finance or related areas.

We have a strong professional team with a global perspective and strong execution skills. As at 31 December 2016, 89.7% of our employees had bachelor's degrees or above.

We value the contributions of our employees and pay close attention to their continuing professional development so as to improve our service quality and promote employee loyalty.

BUSINESS STRATEGIES

We strive to become a financial services institution with a comprehensive product and service portfolio that serves our clients globally and meets their various needs for securities and financial services. Our specific strategies include the following:

Continue to strengthen our principal business lines and attract talented professionals

We intend to build on our established brand name, reputation and competitive strengths and continue to enhance our securities brokerage, corporate finance and underwriting, and asset management and advisory businesses, through the following measures:

- ***Securities brokerage***: We plan to attract a wider group of high quality customers and offer more diverse products, such as global stocks, to meet increasingly stronger and diverse customer demand for global asset allocation and management. We also intend to upgrade our IT systems to improve customer experience.

- ***Corporate finance and underwriting***: We focus on enhancing our corporate finance capabilities and intend to attract more professionals to expand our sector teams and general financial advisory services. We place high importance in enhancing our underwriting (equity and debt) and placing capabilities, including customer development and pricing, to increase the revenue and profit contributions of our corporate finance and underwriting business.

- ***Asset management and advisory***: We intend to continue expanding our asset management and advisory business through attracting institutional, corporate clients and high-net-worth customers for our specialised asset management and private equity fund management businesses and enhancing our investment management capabilities. We focus on diversifying the types of asset management schemes to satisfy the wealth management needs of different customers. We also intend to enhance our collaboration with other financial institutions, such as fund management companies. In addition, we intend to enhance our investment advisory services to create more synergies and cross-selling opportunities within our asset management and advisory business.

In addition, we believe that a key factor for our future success is our ability to attract and retain core employees. We seek to recruit additional high-calibre talent, both international and local, for positions such as senior management officers, senior marketing personnel and professional investment managers. We believe that our market-oriented human resource management and our brand effect will enable us to attract and retain a team of highly experienced professionals.

Further develop our "capital-based" businesses and M&A financial advisory business to increase synergies and cross-selling capabilities among our business lines

We plan to actively diversify and enhance our existing businesses. We intend to enhance the development of our infrastructure to enrich our product portfolio and enlarge our customer base. We aim to further develop a suite of "capital-based" businesses and M&A advisory business that are complementary to our principal business lines.

We intend to use a substantial portion of the net proceeds from the Global Offering to enhance our working capital for providing margin financing, IPO financing and loans to our customers, for contributing capital to private equity funds, and for making direct equity investments. See "*Future Plans and Use of Proceeds*". We believe that these "capital-based" businesses are important to meet our clients' diverse needs for securities and financial services and to increase synergies and cross-selling capabilities among our business lines. For example, we believe that our margin financing and IPO financing services could encourage customer trading and IPO

subscription, and our investment and loans and private equity fund management businesses can create synergies with our M&A financial advisory business by providing our M&A customers with a variety of flexible financing options, including medium- and long-term M&A loans, bridge loans, and direct equity investments.

We formed a dedicated M&A financial advisory team in June 2016 which focuses on servicing outbound investments by PRC companies. We actively capitalise on our unique geographical advantage in Hong Kong to help PRC customers explore high quality overseas targets and execute transactions by offering comprehensive advisory services.

Our direct investment team plans to focus on investing in selected target companies in the Internet and technology sectors. Our selected target companies include those prominent Internet platforms, notable start-up companies, leading industry players and companies that focus on future technologies and possess the ability to shape technological revolutions.

Enhance our international business platform and expand our global business

We will continue our geographic expansion to enhance our global business. We plan to leverage BOCOM's overseas branches, cooperate with local partners and enhance the collaboration between our asset management and advisory businesses in the PRC and Hong Kong, as well as in overseas markets. We expect that such initiative could improve our cross-border financial service capabilities and attract high-net-worth clients who have global asset allocation needs.

Meanwhile, we plan to apply for membership of major overseas commodity exchanges, and will also take advantage of the Silk Road Economic Belt and the 21st-century Maritime Silk Road (the "Belt and Road Initiatives") policy, seize cross-border business opportunities arising from such internationalisation of the PRC economy and assist PRC enterprises with investing overseas. We intend to collaborate with overseas institutions to further expand our international market share. We also plan to continue to leverage the strong brand name and industry expertise of BOCOM to further enhance the synergies between us, while focusing on optimal capital allocation.

Enhance our risk management system, internal control and IT capabilities

We plan to continue to enhance the transparency and our management over investment, financial condition and business operations. We are committed to strict risk control and continual improvement of our risk bearing abilities for the long-term stable development of our business. We also plan to further strengthen our internal control system, enhance the Chinese walls between our different business lines, and improve our internal control compliance and audit capabilities.

In addition, we plan to establish an information sharing platform that collectively manages client data, business information and risk management knowledge so as to promote the integration of our business development and risk management. We intend to upgrade our middle and back office infrastructure to increase the security and efficiency of our IT systems.

OUR BUSINESS

We provide comprehensive and integrated securities and financial services to our clients to satisfy their various needs. Our principal business lines comprise securities brokerage and margin financing, corporate finance and underwriting, investment and loans, and asset management and advisory. The table below sets forth our revenue and other income by business line and the respective contribution to our total revenue and other income for the years indicated:

	Year ended 31 December					
	2014		2015		2016	
	(HK$ in millions, except percentages)					
Securities brokerage and margin financing	**619.3**	**79.2%**	**737.6**	**64.7%**	**489.2**	**46.4%**
Securities brokerage	250.0	32.0%	344.6	30.2%	157.3	14.9%
Margin financing	369.3	47.2%	393.0	34.5%	331.9	31.5%
Corporate finance and underwriting	**95.9**	**12.3%**	**345.6**	**30.3%**	**216.5**	**20.6%**
IPO sponsorship and financial advisory	18.8	2.4%	19.4	1.7%	21.1	2.0%
Equity underwriting and placing	71.9	9.2%	308.2	27.0%	153.6	14.6%
Debt underwriting	5.2	0.7%	18.0	1.6%	41.8	4.0%
Investment and loans	**46.7**	**6.0%**	**9.9**	**0.9%**	**204.6**	**19.4%**
Equity and fixed income investment	39.7	5.1%	9.8	0.9%	169.9	16.1%
Proprietary trading income	39.7	5.1%	9.8	0.9%	169.9	16.1%
Others	0.0	0.0%	—	—	0.0	0.0%
Structured finance and loans	7.0	0.9%	0.1	0.0%	34.7	3.3%
Interest income	1.6	0.2%	—	—	34.7	3.3%
Others	5.4	0.7%	0.1	0.0%	—	—
Direct equity investment[1]	—	—	—	—	—	—
Asset management and advisory	**9.8**	**1.2%**	**34.7**	**3.0%**	**129.4**	**12.3%**
Mutual fund management	—	—	3.2	0.3%	5.0	0.5%
Specialised asset management	1.1	0.1%	4.7	0.4%	29.6	2.8%
Private equity fund management	4.3	0.5%	8.0	0.7%	24.4	2.3%
Investment advisory	4.4	0.6%	18.8	1.6%	70.4	6.7%
Others[2]	10.2	1.3%	12.8	1.1%	13.3	1.3%
Total	**781.9**	**100.0%**	**1,140.6**	**100.0%**	**1,053.0**	**100.0%**

Notes:

(1) We did not record any revenue in this business line during the Track Record Period, but the exit of an equity investment in 2014 of HK$7.6 million was recorded as a gain on disposal of a joint venture in the same year.

(2) Primarily includes interest income from our own deposits and exchange gains.

Securities Brokerage and Margin Financing

Our securities brokerage and margin financing business covers the following activities:

- *Securities brokerage:* we execute trades on behalf of our clients in stocks, bonds, futures, options and other tradable securities; and
- *Margin financing:* we offer margin financing services to provide leverage for clients' securities transactions.

In 2014, 2015 and 2016, segment revenue and other income from our securities brokerage and margin financing business amounted to HK$619.3 million, HK$737.6 million and HK$489.2 million, respectively, representing 79.2%, 64.7% and 46.4% of our total revenue and other income, respectively.

Securities Brokerage

We engage in the trading of various securities products on behalf of our customers, with a primary focus on stocks of listed companies on the Stock Exchange, along with other types of securities, including eligible

A shares under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of listed companies on the PRC stock exchanges, U.S. stocks and bonds such as treasury bonds, corporate bonds and convertible bonds, as well as futures and other exchange-tradable securities.

The following table sets forth the trading value by product type of our securities brokerage business for the years indicated:

	Year ended 31 December					
	2014		2015		2016	
	(HK$ in billions, except percentages)					
Hong Kong Stocks[1]	140.1	95.1%	167.1	86.2%	82.7	86.2%
Bonds	1.4	1.0%	11.3	5.8%	8.9	9.3%
Others[2]	5.7	3.9%	15.5	8.0%	4.3	4.5%
Total trading value	**147.2[3]**	**100.0%**	**193.9[3]**	**100.0%**	**95.9[3]**	**100.0%**

Notes:

(1) Hong Kong Stocks refers to stocks listed on the Stock Exchange.

(2) Others comprises A shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of PRC listed companies, U.S. stocks, stocks listed on other stock exchanges and equity linked instruments.

(3) For the avoidance of doubt, the total trading value discussed here excludes (i) futures, other exchange-tradable securities and IPO subscriptions, which are not measured by trading value, and (ii) securities brokerage settlement and subscription of new shares for clients referred to us by BOCOM (Hong Kong Branch).

We generate commission and fee income from executing trades for clients in our securities brokerage business. We take into account various factors concerning each of the clients in determining our commission rate, such as trading volume, fund deposited and business potential with the clients on a case-by-case basis. The following table sets forth a breakdown of the commission and fee income and average brokerage commission rate by product type of our securities brokerage business for the years indicated:

	Year ended 31 December					
	2014		2015		2016	
	Commission and fee income	Average brokerage commission rate	Commission and fee income	Average brokerage commission rate	Commission and fee income	Average brokerage commission rate
	(HK$ in millions)	(bps)	(HK$ in millions)	(bps)	(HK$ in millions)	(bps)
Hong Kong Stocks[1]	187.4	13.4	256.1	15.3	113.8	13.8
Bonds	5.1	36.4	6.7	5.9	7.0	7.9
Others[2]	6.0	10.5	29.4	19.0	5.2	11.8
Total	**198.5[3]**	**13.5**	**292.2[3]**	**15.1**	**126.0[3]**	**13.1**

Notes:

(1) Hong Kong Stocks refers to stocks listed on the Stock Exchange.

(2) Others comprises A shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of PRC listed companies, U.S. stocks, stocks listed on other stock exchanges and equity linked instruments.

(3) Commission and fee income discussed here excludes (i) the commission and fee income generated from trading of futures and other exchange-tradable securities and IPO subscriptions, (ii) other income allocated to our securities brokerage business, and (iii) securities brokerage settlement and subscription of new shares for clients referred to us by BOCOM (Hong Kong Branch). Such exclusion is for the purpose of providing comparable results when calculating average brokerage commission rate.

At the launch of the Shanghai-Hong Kong Stock Connect in November 2014, we became qualified to participate in the northbound trading business via the northbound Trading Link. Since then, we have been able to place orders to trade eligible shares listed on the Shanghai Stock Exchange. The Shenzhen-Hong Kong Stock Connect, launched on 5 December 2016, allowed us access to additional northbound trading securities brokerage business and the ability to trade eligible shares listed on the Shenzhen Stock Exchange. As at 31 December 2016, we had approximately 378 accounts in relation to our northbound trading business. We are also able to provide brokerage services to our clients for the trading of B shares and U.S. stocks and stocks listed on other stock exchanges at our trading platform on which we place orders through third-party dealers, in order to attract and retain clients that demand a more diverse portfolio of securities for trading.

We also provide futures brokerage services to our customers for trading in futures on the Futures Exchange. We possess a futures trading platform that enables us to connect to all major futures exchanges around the globe. See "— *Information Technology*". We are a member of the Hong Kong Futures Exchange. The futures contract products we can trade include Hang Seng Index futures, mini-Hang Seng Index futures and options, H-shares index futures and options, mini H-shares index futures and options, and stock futures.

When our clients open a futures brokerage account with us, they generally have to deposit an initial margin before they can place any trade orders either through our online trading platform or by contacting our in-house and self-employed account executives. Our initial margin primarily follows the calculation guidelines issued by the HKEX, with additional markups based on market conditions. Each client has a maximum exposure limit, which by default is HK$300,000 and may be adjusted upon approval. The precise determination of the exposure limit is based on factors such as the client's financial condition and investment history.

We generate commission and fee income from the futures brokerage services we offer. We determine the commission rate on a case-by-case basis, taking into consideration factors such as the type of futures to be traded and the intended trading volume. In 2014, 2015 and 2016, we executed approximately 102,100, 93,100 and 86,100 futures contracts, respectively, and earned commission and fee income amounting to HK$4.5 million, HK$4.8 million and HK$4.0 million, respectively. During the same years, our average commission per contract derived from our futures brokerage business amounted to HK$44.1, HK$51.6 and HK$46.5, respectively.

Margin Financing

We offer collateralised financing through our margin financing services to retail, corporate and high-net-worth customers who wish to finance their securities purchases. These services enable such customers to increase the size of their purchases through financial leverage. Margin financing business is capital-intensive and involves credit risk. See "*Risk Factors — Risks Relating to Our Business and Industry — We may suffer significant losses from our credit risk exposures in our margin financing business*".

We generate interest income from margin loans lent to our customers in our margin financing business. The interest rates we charged for our margin loans during the Track Record Period ranged from 3.5% to 11.0% per annum. For new margin customers, the interest rate we charged was 8.25% per annum during the Track Record Period, which was equal to 3.0% plus the prime rate set by BOCOM (Hong Kong Branch). A higher interest rate applied to the amount of a client's outstanding margin loan balance which exceeded the margin value.

The following table sets forth a summary of key operating and financial information of our margin financing business in Hong Kong as at the dates or for the years indicated:

	As at or for the year ended 31 December		
	2014	2015	2016
Number of margin accounts	4,666	5,853	6,254
Balance of margin loans *(HK$ in millions)*	4,548.1	4,913.3	5,123.3
Monthly average balance	4,752.8	5,228.1	4,735.4
Highest month end balance	5,118.5	6,677.6	5,123.3
Lowest month end balance	4,400.0	4,521.7	4,285.3
Market share of the balance of margin loans *(%)*	4.1	3.4	3.0
Margin value[1] *(HK$ in millions)*	3,890.7	3,786.8	4,055.4
Market value[2] *(HK$ in millions)*	20,265.8	13,945.3	16,932.7
Securities listed on the Stock Exchange	20,057.6	13,782.2	16,460.1
Hang Seng Index Constituents	529.3	444.5	720.3
Hang Seng China Enterprises Index Constituents (excluding Hang Seng Index Constituents)	286.7	1,118.0	1,459.2
Other stocks listed on the Main Board	18,956.2	11,802.6	14,026.4
Securities with a market capitalisation of HK$10.0 billion or above	12,089.0	2,724.5	1,639.2
Securities with a market capitalisation of less than HK$10.0 billion	6,867.2	9,078.1	12,387.2
ETFs	135.2	40.4	8.5
GEM stocks, warrants, Callable Bull/Bear Contracts	150.2	376.7	245.7
Securities listed in the PRC	155.1	130.5	342.5
Securities listed abroad / others	53.1	32.6	130.1
Loan-to-margin ratio[3]	116.9%	129.7%	126.3%
Loan-to-value ratio[4]	22.4%	35.2%	30.3%

Notes:

(1) Margin value refers to the market value of the securities pledged as collateral for margin loans multiplied by a collateral discount ratio for each individual security.

(2) Market value refers to the value of the securities pledged as collateral for margin loans at the real-time price of each individual security.

(3) Loan-to-margin ratio refers to the ratio of the total amount of margin loan balance as at the dates indicated to the margin value of the underlying securities pledged as collateral as at the same dates.

(4) Loan-to-value ratio refers to the ratio of the total amount of margin loan balance as at the dates indicated to the market value of the underlying securities pledged as collateral as at the same dates.

We carry out due diligence procedures and other risk control measures for different clients based on their risk classifications. We comply with the "Know Your Clients" principles and undertake steps for, and the continual review of, client identification. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Securities Brokerage and Margin Financing — Margin Financing*".

We generally require our margin financing customers to provide collateral in the form of equity securities listed on the Stock Exchange. We maintain and update a quarterly basis a list of shares qualified as collateral for our margin financing business, each with a collateral discount ratio. As at 31 December 2016, this list consisted of 1,152 stocks. In principle, we do not accept securities outside the list as collateral for the margin loans, unless approved upon additional examination on a case-by-case basis. As at 31 December 2014, 2015 and 2016, securities listed on the Main Board with a market capitalisation of less than HK$10.0 billion contributed a material part of the aggregate market value of our collateral, amounting to 33.9%, 65.1% and 73.2%, respectively, of the aggregate market value of our collateral as at the same dates.

Different discount rates apply in determining the margin value of the securities as collateral. In calculating the collateral discount ratio for each individual security, we employ a model that factors in primarily the market capitalisation, average trading volume and price fluctuations in the past three months of the security, as well as the financial condition of the relevant securities issuer. We adjust these collateral discount ratios in accordance

with market conditions and trends in line with our business strategies. The following table sets forth the range of the collateral discount ratio by type of securities applicable in our margin financing business as at 31 December 2016:

Type of securities	Collateral discount ratio[1]
Securities listed on the Stock Exchange	
Hang Seng Index Constituents	60% to 70%
Hang Seng China Enterprises Index Constituents	30% to 70%
Other stocks listed on the Main Board	0% to 70%
ETFs	0% to 70%
GEM stocks, warrants, Callable Bull/Bear Contracts	0%
Securities listed in the PRC	0% to 50%
Securities listed abroad / others	0%

Note:
(1) Securities with a 0% collateral discount ratio are not included in our list of 1,152 stocks as at 31 December 2016.

We determine the credit limit of our customers based on various factors, including, but not limited to, the total value of assets in the relevant customers' accounts with us as well as their background, annual income, trading patterns and credit history. In general, the balance of the margin loan granted to a single client cannot exceed 25% of the total balance of margin loans we grant to all of our clients, and we set the maximum amount of the margin loan granted to a single client approved by the Board annually as a general guideline. During the Track Record Period, we have strictly followed the foregoing internal policies and the Directors are of the view that, as at the Latest Practicable Date, the customer concentration to which our margin financing business was exposed was in line with our internal policies and risk tolerance. We do not deem the financial impact arising out of such customer concentration to be material to the Group, considering our revenue, financial and liquidity positions, which enable us to maintain continuous compliance with regulatory requirements on capital and liquidity with respect to the FRR (after factoring in the financial impacts on the calculation of our ranking liabilities because of such customer concentration in accordance with Section 42 of Chapter 571N of the FRR). In addition, we proactively manage our customer concentration risks exposed to by our margin financing business primarily through collateral and credit risk management of our customers. We also monitor the top 20 margin clients in terms of margin loan balance and margin clients with more than 10% of the total margin loan balance on an ongoing basis, and include such information in our monthly reports submitted to the relevant regulatory authority pursuant to applicable regulations and rules. In 2014, 2015 and 2016, the margin loan balance of our top 20 margin clients contributed 46.5%, 59.0% and 62.7% of our total margin loan balance (after general provision), respectively, the margin loan balance of our top five margin clients contributed 23.8%, 35.1% and 31.3% of our total margin loan balance (after general provision), respectively, and the margin loan balance of our top margin client contributed 10.8%, 10.8% and 9.7% of our total margin loan balance (after general provision), respectively.

We also consider the quality of the underlying collateral. We closely monitor the loan-to-value ratio on a real-time basis of high-risk accounts. In general, we closely monitor the margin loans and may require additional collateral, taking into consideration factors such as the loan-to-value ratio, the loan-to-margin ratio, the customer's background, the interest rate of the loan and market conditions. When a customer's margin loan balance exceeds the credit limit granted or a customer's loan-to-margin ratio exceeds 100%, we will generate an alerter to help us to monitor its status and decide whether any additional collateral is required. Amongst the customers with loan-to-margin ratio in excess of 100%, we will consider the factors above, in particular, the loan-to-value ratio in excess of 75% in making requests for additional collateral. We will generally carry out forced liquidation of the margin account of such clients if such loan-to-value ratio exceeds 85%. Forced liquidation actions of the client's margin account may be suspended or postponed upon internal approval. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Securities Brokerage and Margin Financing — Margin Financing*". The Directors are of the view that our policies and procedures regarding margin financing are adequate and effective in managing the relevant credit risk, because (i) we encountered no default of our margin clients that had materially and adversely affected the overall profitability of our margin financing business during the Track Record Period, (ii) in the recent internal control inspection of the Group, the external internal control specialists engaged by us did not raise any further

recommendation with regard to our current policies or procedures for risk management of our margin financing business, and (iii) we continually strive to improve and implement such policies and procedures pursuant to market trends and the regulatory requirements, and such policies and procedures and our credit risk management framework were in line with those of the other comparable listed securities firms based in Hong Kong, which face risks similar to those we face. After the Joint Sponsors reviewed the relevant rules and policies of our margin financing business, checked the relevant system records, made reasonable inquiries to our management about the relevant internal control measures, and considered the fact that no further recommendation with regard to the Company's current policies or procedures for risk management of margin financing business were raised by the external internal control specialist engaged by the Company in the recent internal control inspection of the Group, there has been nothing that caused the Joint Sponsors to disagree with the Directors' view. In 2014, 2015 and 2016, we carried out forced liquidations involving a transactional value of HK$49.7 million, HK$699.0 million and HK$160.7 million, respectively. In 2016, we made provision for impairment losses of HK$8.3 million for our margin loan receivables, accounting for 0.2% of our margin loan balance as at 31 December 2016, primarily due to market volatility.

Additionally, we provide short-term IPO financing to facilitate our clients to subscribe for a greater number of IPO shares. Generally, we take into consideration the following factors when offering such IPO financing and determining the aggregate funding scale, minimum individual loan size and loan-to-value ratio for such IPO financing: (i) the quality of the IPO shares; (ii) market sentiment; (iii) investors' enthusiasm; and (iv) our liquidity positions. IPO financing clients that apply for this financing service are required to maintain sufficient cash in their accounts, or provide sufficient collateral subject to our approval, on the day that the applications for IPO share subscription end. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Securities Brokerage and Margin Financing — Margin Financing*".

Customers

We provide brokerage services to a wide range of retail, institutional and corporate clients. As at 31 December 2014, 2015 and 2016, we had approximately 22,700, 24,700 and 25,800 brokerage accounts, respectively, among which approximately 4,600, 5,800 and 6,100 were also margin accounts, respectively. As at 31 December 2016, we had approximately 8,300 active brokerage accounts (the accounts that have generated revenue within the past 12 months). As at the same date, most of our brokerage customers were individuals residing in Greater China or companies incorporated in the British Virgin Islands and Hong Kong.

Our customer due diligence process was established in accordance with the relevant SFC guidance, and we apply the same process to our customers before commencing business relations with them. We have developed a comprehensive set of "Know Your Clients" due diligence and evaluation procedures based on different clients' risk classifications. We refer to data or information provided by reliable and independent sources in identifying our clients or their parties in control. See "*Risk Management — Anti-Money Laundering*".

Sales and Marketing

Our clients can access our brokerage services through our online trading platform and our Central and Tsim Sha Tsui branches. They can place trade orders via telephone with us as well. We also obtain customer referrals from the PRC, Hong Kong and Macau branches of BOCOM.

We provide standardised financial products and services to our clients through our PC and mobile wealth management platforms. Our online trading platform is capable of offering a variety of services, including securities trading, account management and real-time market information updates. We make available financial products to our clients via our online platform, consisting of (i) Hong Kong stocks, (ii) PRC stocks through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, (iii) other stocks listed on major stock exchanges around the globe, and (iv) futures and options, including commodity futures, index futures and currency futures.

We offer face-to-face brokerage services to our clients through our account executives at our Central and Tsim Sha Tsui branches. As at 31 December 2016, we had 13 in-house account executives and approximately

130 self-employed account executives seated at our Central and Tsim Sha Tsui branches. The engagement of the self-employed account executives can effectively assist us with business expansion and minimising staff costs. We are not responsible for the salary or statutory employee benefits of these self-employed account executives, and we share with them at a pre-negotiated rate of the commission income received from brokerage clients served by such self-employed account executives. The self-employed account executives will indemnify us for our losses or liabilities arising from their fraud or wilful default or any unsettled trade or margin loan due from clients referred by them, while no such indemnity is required from our in-house account executives. Nevertheless, there is no material difference between our in-house and self-employed account executives in terms of their professional qualifications and the relevant licensing requirements, and they are all licensed to carry out regulated activities.

Institutional Sales

As at 31 December 2016, our institutional sales department had 875 institutional clients, comprising 414 private funds, 406 mutual funds and 55 insurance companies. We provide our institutional clients with our specialised institutional client trading system with one-stop sales and trading services. We also provide research reports on investment strategies and market trends to our institutional clients. In particular, for institutional clients using our underwriting services, we pay on-site visits, assist with non-deal road shows and investor conferences, and conduct periodic research visits.

Corporate Finance and Underwriting

We provide one-stop corporate finance and underwriting solutions to our corporate clients under our corporate finance and underwriting business, including IPO sponsorship and financial advisory, underwriting (equity and debt) and placing services. We are committed to offering customised corporate finance and underwriting services for corporate clients and to satisfy their various needs such as financing, investment and M&A, throughout their entire development stages.

As a comprehensive capital market service provider, by offering a wide range of financing alternatives and related services to our corporate finance and underwriting clients, our corporate finance and underwriting business has facilitated some of our other businesses, such as direct equity investment as well as structured finance and loans in our investment and loans business, specialised asset management and private equity fund management in our asset management and advisory business. The corporate finance and underwriting business has also introduced clients and created business for our securities brokerage and margin financing business. Meanwhile, our corporate finance and underwriting business benefits from referrals of prospective clients from our securities brokerage, investment and loans as well as asset management and advisory businesses. This has created cross-selling synergies across different business lines and enhanced client loyalty.

In 2014, 2015 and 2016, segment revenue and other income from our corporate finance and underwriting business amounted to HK$95.9 million, HK$345.6 million and HK$216.5 million, respectively, representing 12.3%, 30.3% and 20.6% of our total revenue and other income, respectively.

IPO Sponsorship and Financial Advisory

We are committed to fostering our IPO sponsorship business to become our core competitive strength of our corporate finance and underwriting business. We primarily focus on the relatively more established PRC and Hong Kong companies qualified for listing on the Main Board of the Stock Exchange. However, we would also consider opportunities with companies from other countries, in light of the increasing standing of the Stock Exchange in the global market. We focus on companies with which we can build long-term relationships for future business opportunities. In 2014, 2015 and 2016, we acted as a sponsor for two, five and two Hong Kong IPOs, respectively, with an aggregate offering size of HK$1,062.5 million, HK$11,964.0 million and HK$795.1 million, respectively, for our clients. During the Track Record Period, we acted as the sole sponsor for six Hong Kong IPO projects in total, with an aggregate offering size of HK$2,668.9 million for our clients. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed one IPO project upon which we acted as the sole sponsor and global coordinator.

The following table sets forth a breakdown of the Hong Kong IPO projects for which we acted as a sponsor by status as at the dates or for the years indicated:

	As at or for the year ended 31 December		
	2014	2015	2016
Active[1]	6	3	6
Successfully Completed[2]	2	5	2
Unsuccessful[3]	—	1	—

Notes:

(1) Active refers to the IPO projects which remained ongoing as at the dates indicated.

(2) Successfully Completed refers to the IPO projects which were successfully closed during the years indicated.

(3) Unsuccessful refers to the IPO projects for which the listing applications have been made but were rejected, returned or lapsed during the years indicated. During the Track Record Period, we did not have any rejected or lapsed applications. In 2015, we had one returned application.

To better satisfy our clients' needs in targeted industries while taking into consideration market trends and our business strategies, we have established two sector teams focusing on the finance and infrastructure industries, respectively. We may launch additional industry teams that focus on sectors such as healthcare and consumer goods. We will continue to improve and expand our sector coverage to enable us to enhance our sector expertise to better serve our clients, and capitalise on the valuable opportunities arising from such expertise and market knowledge.

We pursue IPO sponsorship opportunities through our own network as well as from the BOCOM Group. In particular, we benefit from referrals of PRC clients from BOCOM branches for potential Hong Kong IPO opportunities, which have enhanced the growth of our IPO sponsorship business. As BOCOM's only platform for corporate finance opportunities, we are able to enhance customer loyalty to BOCOM as a group through our offerings of products and services. During the Track Record Period, two of the nine Hong Kong IPOs we sponsored were derived from such collaboration. We also actively explore our clients' financing and other needs during and after IPO transactions, and create additional business opportunities accordingly.

Our financial advisory business covers a broad range of services including general financial advisory services, local or cross border M&A advisory services, and debt and equity capital raising advisory services. We also provide compliance advisory services to listed companies in Hong Kong on compliance with the Listing Rules or other compulsory requirements as directed by the Stock Exchange.

We established an M&A team in June 2016 with the aim to further develop our M&A financial advisory business. In 2016, we acted as the financial adviser to two acquisitions in the healthcare industry by a Hong Kong-listed company for a consideration of approximately HK$3.7 billion and HK$1.2 billion, respectively. One of the acquisitions was completed in October 2016.

Equity Underwriting and Placing

We provide equity underwriting services in IPO transactions and equity placement. For our equity underwriting services, we receive underwriting fees generally based on a percentage of the amount of equity securities underwritten by us. We also act as a placing agent for placement of equity securities listed on the Stock Exchange in the secondary market.

The following table sets forth a breakdown of equity underwriting and placing transactions in which we acted as an underwriter in IPO transactions or as a placing agent in the placement of equity securities for the years indicated:

	Year ended 31 December		
	2014	2015	2016
Number of equity underwriting and placing transactions	11	17	12
Offering size of equity securities underwritten or placed *(HK$ in millions)*	27,237.6	89,777.3	106,395.8
Revenue and other income from equity underwriting and placing transactions *(HK$ in millions)*	71.9	308.2	153.6

The Hong Kong IPO projects for which we acted as a global coordinator, a bookrunner and/or a lead manager, but not as a sponsor, were all successfully completed and the table below sets forth the number of such projects for the years indicated:

	Year ended 31 December		
	2014	2015	2016
Completed	8	4	8

The commission rates for our equity underwriting and placing business are generally subject to case-by-case negotiation in line with market practice. We generally charge a percentage of the fundraising size based on the prevailing market rate and with reference to factors such as the size of our underwriting or placing commitment, general market sentiment and our role and bargaining power against the relevant issuers. In 2014, 2015 and 2016, the average commission rate for our equity underwriting transactions was 2.8%, 2.1% and 2.0%, respectively, which refers to the simple average commission fee rates of our equity underwriting projects that were completed in the respective years. The relevant commission rate is the basic commission rate as set out in the respective underwriting agreements. In limited circumstances where the commission rate is not available in the underwriting agreements, we compute the commission rate by dividing the commission fee by the funds raised for that project. In 2014, 2015 and 2016, the average fee rate for our equity placing transactions was 2.0%, 1.4% and 0.9%, respectively, which refers to the simple average fee rates of our equity placing projects that were completed in the respective year. The relevant fee rate is the basic fee rate as set out in the respective placing agreements. In limited circumstances where the fee rate is not available in the placing agreements, we compute the fee rate by dividing the fees we earned from the project by the funds raised through us for that project.

Debt Underwriting

We provide underwriting services for a wide range of debt securities. We leverage our in-depth knowledge of the market environment, strong debt execution of capital markets deals and sales capabilities. We determine the fee rates on a case-by-case basis, partly depending on the type of debt securities offered, and we take into consideration comparable market fee rates, fundraising size and market conditions. In 2014, 2015 and 2016, the average fee rate for our debt underwriting transactions was 0.3%, 0.3% and 0.5%, respectively, which refers to our total revenue from debt underwriting divided by the total amount of debt securities underwritten by us in the respective years. We also benefit from referrals of PRC clients from BOCOM branches for potential debt issuance opportunities.

The following table sets forth certain information regarding our debt underwriting business for the years indicated:

	Year ended 31 December		
	2014	2015	2016
Number of debt underwriting transactions	5	8	20
Offering size of the debt securities underwritten *(HK$ in millions)*[1]	3,119.7	1,585.7	2,093.4
Revenue and other income from debt underwriting transactions *(HK$ in millions)*	5.2	18.0	41.8

Note:

(1) Debt securities underwritten by us during the Track Record Period comprised debt securities denominated in U.S. dollars, Hong Kong dollars and Euro. Figures are calculated at exchange rates of HK$7.7534 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on 30 December 2016), RMB0.89451 to HK$1.00 (being the prevailing exchange rate on 30 December 2016 set by the PBOC) and HK$8.1751 to EUR1.00 (being the exchange rate shown on the website of the European Central Bank on 30 December 2016).

Investment and Loans

Our investment and loans business comprises the following activities:

- *Equity and fixed income investment:* we invest in equity and fixed income securities, as well as public and private funds, for our own account;

- *Structured finance and loans:* we provide funding to customers to meet their various financing needs; and

- *Direct equity investment:* we invest in the equity of private companies and exit such investments through IPOs or share sales for our own account.

For the Track Record Period, our investment and loans business is exclusively for our own account, and our entire proprietary investment activities are recorded in this segment. In 2014, 2015 and 2016, segment revenue and other income from our investment and loans business amounted to HK$46.7 million, HK$9.9 million and HK$204.6 million, respectively, representing 6.0%, 0.9% and 19.4% of our total revenue and other income, respectively.

Equity and Fixed Income Investment

We invest in equity and fixed income securities as well as public and private funds on a proprietary basis and adopt a prudent and well-considered investment approach that aims to achieve a balance between mitigating risk and obtaining investment returns. We perform comprehensive analysis, develop unique perspectives and invest in a broad spectrum of securities.

In light of recent turbulence in the global capital markets and macroeconomic factors, we are currently focusing on fixed income securities as part of our overall investment strategies. We aim to achieve stable interest income through a portfolio of fixed income securities, including, but not limited to, investment grade bonds, high yield bonds and preference shares. We focus on a thorough analysis of each fixed income security, assess the relevant industry landscape, issuer background, credit fundamentals, capital structure, currency and credit ratings, and evaluate the overall risk-adjusted returns before making an investment decision. In pursuit of stable returns, we also seek investment opportunities in high quality equity investments. We select equity securities based on our macroeconomic research, market cycle analysis, understanding of the target industries, and in-depth analysis of target companies. We prefer the "buy-and-hold" approach as our investment strategy, but maintain flexibility in adjusting our investment strategy based on market trends and conditions.

The table below sets forth our investment position by asset type for our equity and fixed income investment business as at the dates indicated:

	As at 31 December					
	2014		2015		2016	
	(HK$ in millions, except percentages)					
Fixed income securities	—	—	1,433.7	85.2%	3,453.8	91.4%
High yield bonds	—	—	1,005.1	59.8%	1,664.6	44.0%
Investment grade bonds or the equivalent	—	—	—	—	356.8	9.4%
Preference shares	—	—	428.6	25.4%	1,381.3	36.6%
REIT(s)	—	—	—	—	51.1	1.4%
Equity investments	130.8	32.0%	80.2	4.8%	127.7	3.4%
Funds	277.7	68.0%	168.2	10.0%	195.3	5.2%
Total	**408.5**	**100.0%**	**1,682.1**	**100.0%**	**3,776.8**	**100.0%**

We closely monitor our risk management performance with regard to various risk appetite indicators, such as VaR and stop-loss limits, for our equity and fixed income investment business. We track the risk levels and performance of our investment portfolio, and pay attention to changes to the credit ratings and price fluctuations of the relevant fixed income or equity securities within the portfolio. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Investment and Loans*".

As at 31 December 2016, our fixed income portfolio consists of a sound mix of investment grade bonds, high yield bonds, preference shares and REITs. As part of our trading strategy, we generally prefer fixed income securities of high quality and better return and therefore prefer those issued by established state-owned

enterprises in the PRC and companies in the financial sector, and focus on those with a yield-to-worst of at least 3.0%. In terms of currency, we prefer bonds denominated in U.S. dollars. Preference shares of large and medium-sized PRC and Hong Kong banking institutions and asset management companies are also one of our investment targets, and we may utilise leveraged financing depending on the market conditions to finance our preference share investments, in order to achieve higher returns. When we make investment decisions, we primarily assess, among other things, the business, financial condition, liquidity and prospects of the issuers, the terms of the fixed income securities (including the credit enhancement measures) and credit ratings (if any). Subject to our Investment Committee's approval, we may invest in certain unrated fixed income investments. As at 31 December 2016, the annual weighted average coupon rate for these fixed income securities (excluding perpetual bonds) was 6.0%, while the weighted average maturity period for our fixed income assets (excluding the preference shares) was approximately 4.8 years.

For our equity investments, we focus on value investing and growth industries such as TMT, healthcare, high-end manufacturing and consumer goods. As at 31 December 2016, our portfolio consisted of two equity investments, one in the TMT industry that we invested in our normal course of business, and the other obtained from the asset restructuring of a loan we extended in 2011. See "*Financial Information — Principal Components of Consolidated Income Statements and Results of Operations — Total Expenses — Impairment losses*". We generally prefer to invest in and hold shares of companies with a sound financial track record and strong industrial influences. We also participate in private placements of emerging companies with a sound financial track record and relatively high growth potential. We adopt a prudent risk management approach with regard to equity investments. The maximum shareholding allowed under our risk management system is normally 2.5% in a single stock. The aggregate number of shares we hold in a single stock may not exceed 50% of the average trading volume of such stock in the past six months.

As at 31 December 2016, we held investment in six funds with an investment position of HK$194.5 million. Out of the six funds, five are managed by us and one is managed by a third party. Typically, we prefer to invest in those funds that are managed by us for better understanding, monitoring and management of the funds, with an in-depth analysis and thorough understanding of the underlying projects. We may also invest in funds managed by third parties if we consider, among other things, the underlying projects profitable and that the fund manager is reliable with a proven track record.

For our futures investments, we enter into commodity derivatives transactions with our clients at specified prices and terms on the over-the-counter market. Simultaneously, we enter into commodity derivatives transactions at an offshore commodity futures exchange on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in the opposite direction. We assume no overall risks of investment losses due to the offsetting between the investment gains and the investment losses from the derivatives transactions in opposite directions. During the Track Record Period, we provided such services to, and only to, the BOCOM Group since July 2016.

We began measuring and monitoring our VaR in 2014. In 2014, 2015 and 2016, the average VaR of our investment portfolio (at a two weeks' confidence interval of 99%) was HK$24.6 million, HK$39.2 million and HK$31.4 million, respectively. In 2014, 2015 and 2016, the average rate of return (which is the ratio of net gains from securities investment activities to monthly average initial investment costs) on our equity and fixed income investment business was 14.8%, 1.1% and 6.3%, respectively. During the Track Record Period, the securities portfolio invested with our own funds did not include any derivative instruments, nor did we use derivative instruments or enter into other hedging transactions.

Structured Finance and Loans

We provide structured finance and loans business to enterprises at different stages for their various financing needs, including, but not limited to, pre-IPO financing, financing relating to offshore M&As, privatisation and management buy-outs, and other investment banking related businesses. We also provide loans to our customers. We generate interest income from such financing products.

As at 31 December 2016, we had one outstanding loan. This loan became delinquent in 2014, for which we made full provision in the same year. See "*Financial Information — Principal Components of Consolidated*

Income Statements and Results of Operations — Total Expenses — Impairment losses" and "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 15. Impairment losses*". In response to the foregoing impairment losses, we have adopted a series of risk management measures to enhance our risk management on structured finance and loans business, such as strengthening our risk warning mechanism, implementing a risk accountability system for non-performing assets and reinforcing the principle of segregation of duties in our structured finance and loans business. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Investment and Loans*" and "*Financial Information — Principal Components of Consolidated Income Statements and Results of Operations — Total Expenses — Impairment losses*". We currently have no intention to rapidly develop our structured finance and loans business in the near future. We may, however, adjust our business plans for such business in order to achieve a balance between risks and returns in developing our structured finance and loans business.

Direct Equity Investment

We make direct equity investments in private companies and exit such investments through IPOs or share sales for our own account. As part of our direct equity investment strategy, we generally prefer to invest in private companies seeking pre-IPO financing with a definitive listing timetable, or less mature companies with the potential to be listed within five years. In terms of industry, we generally prefer to invest in leading companies of the TMT, healthcare and education industries with high growth potential. Major forms of investment instruments employed in our equity investment transactions include convertible preferred shares, warrants or convertible debentures. We focus on PRC companies or companies with a PRC background. Nevertheless, we are also monitoring investment opportunities in companies with high growth potential in Europe and the United States.

Direct equity investment in Hong Kong

In Hong Kong, we operate our direct equity investment business through the Company. As at 31 December 2016, we held direct equity investments in two companies with substantial operations in the PRC in the TMT industry through offshore holding structures. As at 31 December 2016, one of the two portfolio companies is listed on the Stock Exchange while the other remains a private company.

Direct equity investment in the PRC

In the PRC, we conduct direct equity investment business through BOCOM International (Shanghai) and its subsidiaries. We focus on industries such as public welfare, culture, infrastructure, high-end manufacturing and human resources outsourcing services. In 2014, we exited one investment and recorded as a gain on disposal of a joint venture of HK$7.6 million. Accordingly, our segment revenue for the same year did not reflect such a gain. As at 31 December 2016, we had direct equity investments in two PRC companies in high-end manufacturing and public welfare.

Asset Management and Advisory

We provide our comprehensive asset management and advisory services to our clients. We offer our asset management products and services based on market conditions and customers' needs. Our asset management and advisory business comprises mutual fund management, specialised asset management, private equity fund management and investment advisory, and we collect management fees, performance fees (if applicable) and advisory fees for our products and services. As at 31 December 2014, 2015 and 2016, the total AUM of our asset management and advisory business was approximately HK$453.2 million, HK$3,968.4 million and HK$13,843.3 million, respectively.

In 2014, 2015 and 2016, revenue and other income from our asset management and advisory business amounted to HK$9.8 million, HK$34.7 million and HK$129.4 million, respectively, representing 1.2%, 3.0% and 12.3% of our total revenue and other income, respectively.

Mutual Fund Management

As at 31 December 2016, we managed one umbrella fund comprising three sub-funds, being two equity funds and one debt fund, with total AUM of HK$643.4 million. We charge management fees generally according to the size of the AUM (generally between 0.60% and 1.50% during the Track Record Period) without charging any performance fees. In 2014, 2015 and 2016, the average management fee rate was 1.24% for our mutual fund management business, which was calculated by computing a simple average of the fee rates in the asset management schemes of this sub-segment. When an asset management scheme has multiple fee rates for different classes, the fee rate of such scheme is calculated by computing a simple average of the fee rates of each class.

We have also invested seed capital in our mutual funds for launching purposes. As at 31 December 2016, the outstanding balance of our capital contribution to the mutual fund managed by us amounted to HK$53.0 million.

The details of the three sub-funds managed by us as at 31 December 2016 are set out below:

Fund name	Time of establishment	Fund management company	AUM as at 31 December 2016 (HK$ in millions)	The percentage of our capital subscription to the fund as at 31 December 2016	Primary investment focus
BOCOM International Dragon Core Growth Fund	27 October 2010	BOCOM International Asset Management	187.0	14.63%	H shares and red chip stocks
Global Strategic Emerging Markets Bond Fund	4 February 2013	BOCOM International Asset Management	412.3	—	Fixed income securities in emerging markets
BOCOM International China Dynamic Fund	4 July 2014	BOCOM International Asset Management	44.1	58.25%	A shares under the RQFII scheme

Specialised Asset Management

We enter into specific agreements with our clients, offering customised asset management services based on their asset size and needs. We manage the clients' assets through a designated discretionary account. The degree of latitude with which we can execute trades without the client's consent varies with the individual contracts. Under some circumstances, we establish fund management special purpose vehicles for our clients as a platform to satisfy their investment needs, through which we manage their assets on their behalf. We also make customised arrangements with our clients in accordance with their levels of risk tolerance. Certain of these arrangements may lead to additional risks to us. See "*Risk Factors — Risks Relating to Our Business and Industry — Failure to meet our customers' expectations on investment performance or a significant decline in the size of our AUM may materially and adversely affect our asset management and advisory business*."

We charge management fees generally as a certain percentage of AUM (generally between 0.20% and 1.50% during the Track Record Period). In 2014, 2015 and 2016, our average management fee rate was 1.50%, 0.80% and 0.74% for our specialised asset management business, respectively, which was calculated by computing a simple average of the fee rates in the asset management schemes of this sub-segment. When an asset management scheme has multiple fee rates for different classes, the fee rate of such scheme is calculated by computing a simple average of the fee rates of each class. Meanwhile, subject to the terms of the individual

specialised asset management schemes, we may not charge any management fees for some schemes during the Track Record Period. We also charge performance fees as a certain percentage of the return on our specialised asset management products (generally between 10.00% and 20.00% during the Track Record Period) depending on the contract terms. As at 31 December 2016, we managed 22 schemes under our specialised asset management business with AUM of HK$9,073.1 million in aggregate.

Private Equity Fund Management

We establish, invest in and manage private equity funds, acting as the general partner, investment adviser and/or fund manager of these funds. When managing the private equity funds, we seek to generate stable, risk-adjusted returns through private equity investments in Greater China, including PIPE, and intend to hold these investments for long-term capital appreciation.

We focus on companies with the likelihood of listing in the near future, stable cash flows, sound market prospects and high quality senior management as investment targets, and prefer industries with great potential and high returns, such as the PRC consumer goods, healthcare, financial institutions, renewable energy and infrastructure related sectors. We charge management fees generally as a certain percentage of AUM (generally between 0.00% and 2.00% during the Track Record Period) and performance fees for the funds we manage. In 2014, 2015 and 2016, our average management fee rate was 1.00%, 1.00% and 0.77% for our private equity fund management business, respectively, which was calculated by computing a simple average of the fee rates in the asset management schemes of this sub-segment. When an asset management scheme has multiple fee rates for different classes, the fee rate of such scheme is calculated by computing a simple average of the fee rates of each class.

As at 31 December 2016, the AUM of the private equity funds managed by us amounted to HK$4.1 billion in aggregate.

Private equity fund management in Hong Kong

In Hong Kong, we operate our private equity fund management business through BOCOM International Asset Management. During the Track Record Period, we managed one private equity fund, the details of which are set forth below:

Fund name	Time of establishment	Fund management company	Subscribed fund size	The percentage of our capital subscription to the fund	Investment focus
			(HK$ in millions)		
BOCOM International China Fund L.P.	23 July 2010	BOCOM International Asset Management	826.6	24.39%	Private equity investments in the PRC, Hong Kong and Taiwan

Renminbi Private Equity Fund Management in the PRC

We operate our Renminbi private equity funds through BOCOM International (Shanghai) and its subsidiaries. BOCOM International (Shanghai) manages private equity funds as the fund manager.

The following table sets forth a summary of our private equity funds managed through BOCOM International (Shanghai) and its subsidiaries as at 31 December 2016:

Fund name	Time of establishment	Fund management company	Subscribed fund size (RMB in millions)	The percentage of our capital subscription to the fund	Investment focus
BOCOM International Fengsheng Shugang Avenue Construction Private Equity Funds (交銀國際豐盛疏港大道建設私募投資基金)	5 September 2016	BOCOM International (Shanghai)	5,000.0	—	Investing in PRC infrastructure companies through equity holding and providing shareholder loans
BOCOM International (Shanghai) Equity Investment Fund I L.P. (交銀國際一期(上海) 股權投資基金合夥企業 (有限合夥))	8 December 2011	BOCOM International (Shanghai)	629.3	93.64%	Privately negotiated equity investments in the PRC
BOCOM Culture (Shanghai) Equity Investment L.P. (交銀文化 (上海) 股權投資基金合夥企業 (有限合夥))	28 October 2014	BOCOM International (Shanghai)	1,030.0	0.0001%	PIPE in A shares

Investment Advisory

We offer investment advisory services primarily in the PRC through BOCOM International (Shanghai) and its subsidiaries. During the Track Record Period, we primarily provided our corporate clients with two types of investment advice: (i) provision of investment advice prior to and during the establishment of the private equity funds that we manage for the clients, which are typically provided together with our asset management services; and (ii) provision of general investment advice, analysis and reports covering a wide range of areas, such as the establishment, investment and management of various fund products, policies and strategies analysis, and industry insight and analysis.

Others

During the Track Record Period, we also generated income from our own deposits and other income and gains, such as exchange gains. In 2014, 2015 and 2016, we had other income of HK$10.2 million, HK$12.8 million and HK$13.3 million, respectively.

Research Services

We believe that our strong research capability is one of our core competitive strengths. We have committed considerable resources to developing an industry-leading position for our investment research services. In 2014, 2015 and 2016, we incurred expenses of HK$36.5 million, HK$57.8 million and HK$49.2 million, respectively, in our research department. We conduct our securities research independently.

Our research department values and emphasises independence in preparing research reports and provides thorough research on equity markets, primarily shares listed on the Stock Exchange, the Shanghai Stock

Exchange and the Shenzhen Stock Exchange, as well as the PRC companies listed in the U.S. market. We believe that our strong analysis and research capabilities and overall service capabilities have enabled us to attract many of our clients, especially institutional clients.

We strive to deliver valuable and timely investment strategies advice to our clients through our value-added periodic equity research products. Our clients mainly comprise institutional clients and corporate clients, while we also serve certain retail clients considered as our strategic clients. Our research team makes available research reports and updates to our clients regularly in order to assist them with identifying and evaluating investment opportunities. Our periodic equity research products include primarily daily morning focus reports, comment notes concerning individual stocks or sectors, in-depth company or sector analysis, strategy reports, semi-annual strategic updates, and annual outlook reports, all of which are generated under our systematic and disciplined analysis and research methodologies. As at 31 December 2016, the number of clients that regularly received our equity research products increased to 1,127 from 835 as at 31 December 2013.

We provide equity research coverage through the following seven groups:

- the macro strategy group, which provides views on stock markets and key macro events;
- the TMT research group, which primarily focuses on the technology, media, telecommunications and Internet sectors;
- the consumer research group, which provides research of both the staples and consumer discretionary goods sectors;
- the financial institution research group, which covers banks, insurers, securities firms and asset management companies and other financial institutions;
- the real estate and entertainment research group, which focuses on the real property, gaming and tourism sectors;
- the infrastructure and commodities research group, which concentrates on the transportation, environmental protection, new material, renewable energy, oil and gas, automobile and defence industries, as well as the Belt and Road Initiative related entities; and
- the healthcare research group, which researches the healthcare related sectors, such as the pharmaceutical and healthcare industries.

We prudently expand the scope of research and strategically increase the variety of research products we deliver in accordance with market conditions, while maintaining our advantages in the existing coverage. As at 31 December 2016, our research services covered 18 sectors. We also pay great attention to the continual growth of our research force and pioneer into insufficiently researched emerging sectors for first-mover advantage after careful evaluation of market movements. During the Track Record Period, we expanded our research coverage to emerging or fast growing industries such as Fintech, infrastructure, new materials and culture and tourism sectors, which is in line with the recent economic transformation and development of the PRC. The number of listed companies covered under our research increased to 161 as at 31 December 2016 from 151 as at 31 December 2013. In terms of product type, we introduced the Shanghai-Hong Kong Stock Connect-related research reports in 2014 and individual A share analysis in 2016. We do not directly charge our clients for these value-added equity research products. However, in recognition of our research analysts' provision of investment recommendations and data support as well as the quality of our research products, certain global asset managers who are readers of our research reports have rewarded us with discretionary bonuses based on a voting selection process among the members of their respective broker panels.

Meanwhile, our research department has supported and created value for our businesses through a variety of ways, such as (i) offering views on the secondary market and analysis of individual stocks to our securities brokerage business in response to our clients' queries, (ii) hosting non-deal road shows for institutional clients, (iii) providing industry overviews, conducting research on companies, conducting valuation models and drafting research reports for IPO projects of our corporate finance and underwriting business, (iv) meeting institutional clients hosted by our institutional sales department to market our research products, thereby enhancing visibility of our brand and services, and (v) researching and investigating for certain projects of our investment and loans and asset management and advisory businesses.

As at 31 December 2016, our research team had 40 employees, among whom 21 were experienced professionals with nine years of work experience on average in the relevant industries, 28 were licensed under the SFC to engage in Type 4 (advising on securities) regulated activities, and ten have the CFA and/or CPA credentials. In particular, as at 31 December 2016, we had 33 employees with master's degrees or above in the research team, among whom three had obtained PhD degrees. Our research team and its members have received a number of leading industry awards in recognition of their strong research capabilities, the most recent of which include the following:

Year	Awards	Media
2016	Top 3 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前三名)	Asiamoney (《亞洲貨幣》)
2016	Top 3 Best Independent Research Securities Firm (最佳獨立研究券商前三名)	Asiamoney (《亞洲貨幣》)
2016	Top 5 Hong Kong Share Pharmaceutical Analyst (港股最佳醫藥行業分析師前五名)	Asiamoney (《亞洲貨幣》)
2016	Top 10 PRC Strategist (A share and B share) (最佳中國 (A股及B股) 策略師前十名)	Asiamoney (《亞洲貨幣》)
2016	Top 10 Hong Kong Share Software, Internet & Services Analyst (香港最佳互聯網軟件與服務行業分析師前十名)	Asiamoney (《亞洲貨幣》)
2016	Top 20 Best Regional Pharmaceutical Research Team in Asia (亞洲區最佳醫藥行業研究團隊前二十名)	Institutional Investor (《機構投資者》)
2015	Top 5 Hong Kong Strategist (non-H share, other) (最佳香港 (非H股、其他) 策略員前五名)	Asiamoney (《亞洲貨幣》)
2015	Top 10 PRC Strategist (H share, red chip and P chip) (最佳中國 (H股、紅籌及民企股) 策略員前十名)	Asiamoney (《亞洲貨幣》)
2015	Top 5 Hong Kong Share Transportation Analyst (最佳交通運輸行業分析師前五名)	Asiamoney (《亞洲貨幣》)
2015	Top 10 Hong Kong Share Consumer Staples Analyst (港股最佳必需品消費行業分析師前十名)	Asiamoney (《亞洲貨幣》)
2015	Top 3 Best Regional Pharmaceutical Analyst in Asia (亞洲區最佳醫藥行業分析師前三名)	Asiamoney (《亞洲貨幣》)
2015	Top 5 Hong Kong Share Pharmaceutical Analyst (港股最佳醫藥行業分析師前五名)	Asiamoney (《亞洲貨幣》)
2014	Top 10 Hong Kong Strategist (最佳香港策略員前十名)	Asiamoney (《亞洲貨幣》)
2014	Top 10 Hong Kong Share Consumer Staples Analyst (香港最佳必需品消費行業分析師前十名)	Asiamoney (《亞洲貨幣》)

INFORMATION TECHNOLOGY

We have the following principal IT systems and platforms for our business operations, risk controls and management purposes:

- **Online account opening system:** an online system that accepts brokerage and futures account opening requests from potential customers;
- **Online trading platforms:** various trading platforms for our retail and institutional clients; and
- **Post-trade monitoring system:** a system that provides cross-market and cross-asset class surveillance of daily trading transactions and generates reports on relevant suspected issues to compliance staff for investigation and resolution.

We devote considerable resources to optimising and upgrading our IT systems, and continually review our IT infrastructure. We assign primary and secondary support staff to each of our IT systems. As at 31 December 2016, our IT department comprised 14 employees responsible for technical development as well as operations and maintenance. As at the same date, the employees of our IT department had on average more than 11 years of work experience supporting IT applications and infrastructure in the financial services industry.

We pay great attention to IT safety risk management in the course of our operations. We have utilised various IT safety controls, including firewalls, data encryption and intrusion prevention, customer identity verifications and SSL certificates, to safeguard the Company's and customers' information and ensure the smooth operation of our IT systems. In addition, we recruited independent third parties dedicated to examining the performance of our IT safety risk management in June 2016. To reduce risks from system failures, we have established a business continuity plan to protect our business data in the event of a catastrophe or system failure, and we have performed data backup for all business data on physical backup tapes on a daily, weekly and monthly basis. During the Track Record Period, we did not experience any material IT system malfunction or failure that caused material disruption to our operations.

In January 2016, we, along with several other securities firms, experienced cyber attacks by hackers in relation to unauthorised access and transactions in, and suspicious instructions for fund withdrawals from, our clients' online trading accounts, resulting in financial losses of approximately HK$0.1 million in aggregate. Since the incident, we have proactively taken measures to improve our internal control in our IT systems. We have engaged a consultant to perform a general IT security review. The implementation of the recommendations from the review are in progress to enhance our IT security. As at the Latest Practicable Date, we had not experienced any additional hacking incidents.

MAJOR CLIENTS AND SUPPLIERS

We serve a diverse set of institutional and individual clients across a spectrum of sectors. Our clients are primarily located in Greater China. We expect to serve more overseas clients as we seek to further expand our business internationally in the future. See "— *Business Strategies*". During the Track Record Period, the revenue attributable to our five largest customers accounted for less than 30% of our total revenue. To the knowledge of the Directors, none of the Directors or their respective associates has any interests in any of our five largest customers as at the Latest Practicable Date. In 2014, 2015 and 2016, BOCOM, our ultimate controlling shareholder, was one of our five largest customers for the same years.

We have no major supplier due to the nature of our business.

COMPETITION

There are primarily three types of market players in the Hong Kong securities industry, namely international investment banks, securities companies with a PRC background and local securities companies. As the Hong Kong securities industry develops and its connections with the PRC market increase continually, these market players each compete for a larger market share. We believe that our main competitors are securities firms with a PRC background, as these securities firms tend to have similar client networks and products and services to ours.

The Hong Kong securities industry is highly regulated, and securities firms are subject to extensive regulatory requirements on various aspects, including the scope of product offerings, business development and risk control. Competition in the Hong Kong securities industry has been, and is likely to remain, intense. For example, for the securities brokerage business in Hong Kong, according to HKEX, the market share held by Group A, Group B and Group C of the Stock Exchange Participants in 2016 was 56.6%, 32.9% and 10.5%, respectively. We belong to Group B. See "*Industry Overview — Entry Barriers and Competitive Landscape in the Hong Kong Securities Industry — Competitive Landscape — Securities Brokerage Business*". According to Dealogic, in 2016, we, acting as a joint global coordinator for Hong Kong IPO deals on the Main Board, ranked 14th and 23rd, respectively, by deal number and deal value among all securities firms in Hong Kong, and ranked 9th and 12th, respectively, by deal number and deal value among all securities firms with a PRC background in Hong Kong. See "*Industry Overview — Entry Barriers and Competitive Landscape in the Hong Kong Securities Industry — Competitive Landscape — Corporate Finance and Underwriting Business*".

In particular, for our securities brokerage and margin financing business, we compete primarily with other licensed securities firms in terms of brokerage commission rates, quality of service, asset safety, range of products and services offered, margin loan interest rates, maturity, flexibility in repayment and value-added

services. For our corporate finance and underwriting business, we compete primarily with other Hong Kong securities firms in terms of brand recognition, product portfolio, marketing and distribution capabilities, service quality and pricing. For our direct equity investment business of the investment and loans business, we compete primarily with other Hong Kong and PRC securities firms qualified to conduct direct investment business and private equity firms in Hong Kong and the PRC, in terms of pricing, strategy, terms offered and service quality. For our asset management and advisory business, we compete primarily with fund management and asset management companies in terms of portfolio performance, management fees rates, brand name and the ability to invest in sound investment targets.

Some of our competitors may possess certain competitive advantages over us, such as greater financial resources, lower financing costs, stronger brand recognition, wider geographical coverage, more extensive client networks, higher risk tolerance and more advanced IT systems. In addition, more competitors may seek to enter the market or expand their businesses. We believe that the financial services industry in Hong Kong is becoming increasingly competitive, which will further the differentiated development of the Hong Kong securities firms. See "*Risk Factors — Risks Relating to Our Business and Industry — If we are unable to compete effectively in the highly competitive financial services industry, our business and prospects may be materially and adversely affected*".

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered eight domain names in Hong Kong and applied for the registration of two trademarks in Hong Kong. For additional information, see "*Appendix V — Statutory and General Information — B. Further Information about the Business — 2. Intellectual Property*".

We had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period.

INSURANCE

We maintain insurance coverage for our regulated activities for loss of client assets due to theft by employees or other fraudulent acts as stipulated in the insurance policies in accordance with the relevant securities and futures laws of Hong Kong. We also carry professional liability insurance, corporate liability insurance and financial institutional civil liability insurance. Additionally, we maintain insurance coverage for certain of our assets, including motor vehicles and leased properties.

We believe that we have maintained such insurance coverage as we consider necessary and sufficient for our operations and customary for the industry in which we operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by us and there can be no assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. During the Track Record Period, we had not encountered any material insurance claims.

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. As at 31 December 2016, we had 281 employees. The following table sets forth a breakdown of our employees by business function as at 31 December 2016:

	Number of Employees	Percentage
Management and administration	39	13.9%
Securities brokerage and margin financing business	52	18.5%
Corporate finance and underwriting business	50	17.8%
Investment and loans and asset management and advisory businesses	39	13.9%
Operations	16	5.7%
Research	40	14.2%
Legal, compliance and risk management	17	6.0%
IT	14	5.0%
Financial accounting and internal audit	14	5.0%
Total	**281**	**100.0%**

The following table sets forth a breakdown of our employees by geographical region as at 31 December 2016:

	Number of Employees	Percentage
Hong Kong	226	80.4%
Shanghai	36	12.8%
Beijing	19[(1)]	6.8%
Total	**281**	**100.0%**

Note:

(1) Since we do not have an employment entity in Beijing to enter into employment contracts with individuals, the 19 employees at our Beijing representative office as at 31 December 2016 were employed through employment contracts with a PRC employment agency to assume responsibilities in our principal business lines and middle and back office functions. According to the relevant employment contracts and our arrangement with the employment agency, we bear the costs of the salaries, social insurance, housing provident funds and other benefits of such employees, and the employment agency will make the relevant payments after receiving the same from us.

As at 31 December 2016, 252 employees had bachelor's degrees or above, accounting for 89.7% of our total employees, while 48 employees had obtained relevant professional qualifications (without taking into account licences granted under the SFO to carry on regulated activities), accounting for 17.1% of our total employees.

We are committed to establishing a competitive and fair remuneration and benefits system, and continually refine our remuneration and incentive policies in order to effectively motivate our business development and ensure that employees receive more competitive remuneration packages. We conduct performance evaluations of our employees annually to provide feedback on their performance. Compensation for our employees typically consists of a base salary and a discretionary bonus, the latter of which is awarded primarily based on individual performance, segment results and our overall results of operations for that year.

For our employees in Hong Kong, we contribute to their mandatory provident fund schemes and provide them with the compulsory employee's compensation insurance under Hong Kong laws. For our employees in the PRC, we provide them with basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds in accordance with applicable PRC laws and regulations. We pay close attention to our employees' welfare, and continually improve our welfare system. In addition, we offer employees benefits such as annual leave, medical insurance covering dependents, life insurance and health examinations.

In order to improve the professional skills of our employees, we have established a comprehensive and diverse training system. Our training programmes primarily consist of (i) training on general knowledge and business skills, (ii) training on work ethics and integrity as well as team building, and (iii) training on communication and language skills. We have a training subsidy scheme that supports and encourages our employees to continually participate in training courses in order to keep them abreast with the latest industry and technical developments. We generally recruit through headhunter companies and recruitment websites in accordance with our business needs.

During the Track Record Period, we did not have any strikes, protests or other material labour conflicts that may materially impair our business and image. As at the Latest Practicable Date, we had not established any labour union.

PROPERTIES

Our corporate headquarters is located at 9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

Owned Properties

As at the Latest Practicable Date, we did not own any properties. According to section 6(1) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from the requirements under section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. A similar exemption is available under Chapter 5 of the Listing Rules.

Leased Properties

As at the Latest Practicable Date, we leased seven properties in Hong Kong with an aggregate gross floor area of 55,480 square feet. Our leased properties in Hong Kong are primarily used for business and office purposes.

As at the Latest Practicable Date, we leased two properties in the PRC with an aggregate gross floor area of 2,862 square metres. Our leased properties in the PRC are used for office purposes. Our landlords had obtained the relevant building ownership certificates for our leased properties in the PRC.

LEGAL AND REGULATORY MATTERS

Licensing Requirements

We conduct our business mainly in Hong Kong and the PRC, and are therefore subject to the relevant regulations of Hong Kong and the PRC.

The securities industry in Hong Kong is highly regulated. Our business and responsible personnel are subject to the relevant laws and regulations and the respective rules of the SFC and the Stock Exchange. The table below sets forth the relevant licences held by us as at the Latest Practicable Date:

Licence holder	Type of licence	Effective date
BOCOM International Asia	Type 1 (Dealing in Securities)	21 September 2007
	Type 6 (Advising on Corporate Finance)	21 September 2007
BOCOM International Securities	Type 1 (Dealing in Securities)	10 September 2007
	Type 2 (Dealing in Futures Contracts)	10 September 2007
	Type 4 (Advising on Securities)	10 September 2007
	Type 5 (Advising on Futures Contracts)	10 September 2007
BOCOM International Asset Management	Type 1 (Dealing in Securities)	10 October 2013
	Type 4 (Advising on Securities)	10 October 2013
	Type 9 (Asset Management)	13 September 2007

The above licences have no expiry date and will remain valid unless suspended or revoked by the SFC. We are not required to apply for a Type 8 regulated activity licence in order to conduct margin financing business, as we are licensed to carry out Type 1 regulated activities. See "*Appendix III — Taxation and Regulatory Overview — B. Regulatory Overview — I. Overview of the Laws and Regulations Relating to the Group's Business Operations in Hong Kong — 1. Introduction*". We became a Stock Exchange Participant on 2 October 2007.

The following table sets forth the breakdown by type of licence of our Responsible Officers and Licensed Representatives as at 31 December 2016:

	Type 1 (Dealing in Securities)	Type 2 (Dealing in Futures Contracts)	Type 4 (Advising on Securities)	Type 5 (Advising on Futures Contracts)	Type 6 (Advising on Corporate Finance)	Type 9 (Asset Management)
Number of Responsible Officers	13	6	7	3	6	3
Number of Licensed Representatives	239(1)	94	62(2)	5	36	21

Notes:
(1) Such number includes 133 self-employed account executives.
(2) Such number includes six self-employed account executives.

In addition, we are licensed under the Money Lenders Ordinance to conduct money lending activities under our current Money Lenders Licence for a period of 12 months from 1 September 2016 to 31 August 2017. A renewal of this licence can be applied for the three months prior to the expiry of the existing Money Lenders Licence. We do not foresee any difficulty in renewing our Money Lenders Licence.

Except as disclosed in "— *Legal and Regulatory Matters*", the Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant regulatory requirements and guidelines in the jurisdictions where we operated in all material aspects, obtained the permits and licences necessary for our operations in accordance with laws and regulations in such jurisdictions and renewed our business licences as required from time to time. The Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date, all of our employees and self-employed account executives had obtained the relevant licences required for their business activities.

Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business. The Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or the Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Regulatory Non-compliance and Disciplinary Actions

The Group is subject to various regulatory requirements, including those specified in law, regulations and guidelines issued by the competent regulatory authorities in Hong Kong and the PRC where the Group operates, including but not limited to the SFC, the Stock Exchange and the CSRC.

Disciplinary actions against the Group

In March 2017, the SFC issued a press release confirming that it had reprimanded and fined BOCOM International Asia HK$15 million for failing to discharge its duties as a sponsor in the listing application of China Huinong Capital Group Company Limited ("**China Huinong**"). China Huinong applied for listing on the Main Board of the Stock Exchange on 10 November 2014 with BOCOM International Asia as its sole sponsor. The Stock Exchange returned the listing application. A summary of the SFC's press release is set out below:

Failure to conduct all reasonable due diligence before submitting an application

China Huinong was a company established in China. During its track record period, the principal business of China Huinong was providing short-term loans to its customers which were small and medium-sized enterprises and individuals in Danyang City, Jiangsu Province. A majority of the loans were not secured by collateral but guaranteed by individuals or companies. In the course of conducting due diligence, BOCOM International Asia discovered that a number of China Huinong's connected persons, including its executive director and its chief executive officer and a company controlled by its second largest shareholder, had guaranteed some of the short-term loans (the "**Connected Guarantees**"). However, BOCOM International Asia

did not conduct any due diligence in relation to the Connected Guarantees or the concerned connected persons (the "**Connected Guarantors**") before submitting the listing application of China Huinong to the Stock Exchange. For example, BOCOM International Asia did not ascertain:

- the percentage of the Connected Guarantees to the total amount of loans granted by China Huinong during the track record period;
- the relationship between the borrowers and the Connected Guarantors;
- whether there were any dealings between the Connected Guarantors, the borrowers and China Huinong that would require closer scrutiny;
- the genuineness of the Connected Guarantees; and
- whether the Connected Guarantees would continue, and if so, how would China Huinong manage the conflicts of interests between itself and the Connected Guarantors.

By failing to conduct reasonable due diligence on issues related to the Connected Guarantees, BOCOM International Asia breached the Code of Conduct for Persons Licensed by or Registered with the SFC (the "**Code of Conduct**"), under which BOCOM International Asia as a sponsor should have:

- performed all reasonable due diligence on China Huinong before submitting a listing application on its behalf; and
- done more due diligence to ascertain the truth and completeness of the information provided by China Huinong, after it became aware of circumstances that cast doubt on the information provided to it or otherwise indicated a potential problem or risk[(1)].

Failure to ensure that all material information had been included in the application proof

The Connected Guarantees were not disclosed in the application proof submitted to the Stock Exchange. As a result, the Stock Exchange returned China Huinong's listing application on the ground that the disclosure of information in the application proof was not complete in all material respects to enable a reasonable investor to make a fully-informed investment decision[(2)].

The SFC also found that the Connected Guarantees raised material issues relating to China Huinong's business model, its internal control to manage conflicts; and whether the Connected Guarantees should have been considered as connected transactions. In the absence of reasonable due diligence on these issues, BOCOM International Asia was not in a position to assess the materiality of the Connected Guarantees to the operation of China Huinong and to ensure that all material information in relation to China Huinong has been included in the application proof in breach of the Code of Conduct[(3)].

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(1) Under paragraph 17.4(a)(i) of the Code of Conduct, before submitting an application on behalf of a listing applicant to the Stock Exchange, a sponsor should have performed all reasonable due diligence on the listing applicant except in relation to matters that by their nature can only be dealt with at a later date. Under paragraph 17.6(c) of the Code of Conduct, a sponsor should not merely accept statements and representations made and documents produced by a listing applicant or its directors at face value. Depending on the nature and source of the information and the context in which the information is given, the sponsor should perform verification procedures that are appropriate in the circumstances, such as reviewing source documents, inquiring of knowledgeable persons or obtaining independently sourced information. Where the sponsor becomes aware of circumstances that may cast doubt on information provided to it or otherwise indicate a potential problem or risk, the sponsor should undertake additional due diligence to ascertain the truth and completeness of the matter and information concerned. Over-reliance on management's representations or confirmations for the purposes of verifying information received from a listing applicant cannot be regarded as reasonable due diligence.

(2) Under Rule 9.03(3) of the Listing Rules, an applicant must submit a listing application form, an application proof and all other relevant documents under rule 9.10A(1), and the information in these documents must be substantially complete except in relation to information that by its nature can only be finalised and incorporated at a later date.

(3) Under paragraph 17.4(a)(ii) of the Code of Conduct, before submitting an application on behalf of a listing applicant to the Stock Exchange, a sponsor should ensure that all material information as a result of this due diligence has been included in the application proof. Under paragraph 17.4(b) of the Code of Conduct, before submitting an application on behalf of a listing applicant to the Stock Exchange, a sponsor should come to a reasonable opinion that the information in the application proof is substantially complete except in relation to matters that by their nature can only be dealt with at a later date.

Failure to ensure that all information provided to the regulators is accurate and not misleading

During the listing application, the Stock Exchange and the SFC asked about the independence of the persons who guaranteed the loans advanced by China Huinong. Due to negligence on the part of BOCOM International Asia's transaction team, BOCOM International Asia initially did not disclose the existence of the Connected Guarantees or that parties related to China Huinong had guaranteed its short-term loans, but only did so after rounds of queries from the Stock Exchange/the SFC.

The SFC found that BOCOM International Asia breached the Code of Conduct by failing to ensure that all information provided to the Stock Exchange and the SFC was accurate and not misleading in any material respect[(4)].

It was stated in the above press release published by the SFC in March 2017 that sponsors play a crucial role in the Hong Kong stock market being responsible for assessing the listing suitability of a company to be listed and verifying the information disclosed in the prospectus, and the SFC and the investing public expect sponsors to examine information provided by the listing applicants with professional scepticism and ensure that the draft listing documents contain relevant and meaningful disclosure about the listing applicants. Sponsors who fail to fulfil these requirements will face tough sanctions, even if the listing application is eventually withdrawn or returned by the Stock Exchange. In deciding the disciplinary sanction, the SFC took into account that:

- BOCOM International Asia cooperated with the SFC in accepting the disciplinary action and not disputing the SFC's findings and regulatory concerns;
- there was no evidence to suggest a systemic failure in BOCOM International Asia's policies, procedures and practices relating to its sponsorship work;
- the senior management of BOCOM International Asia agreed to review and enhance its policies, procedures and practices relating to its sponsorship work, particularly in the areas of performing due diligence on the listing applicants and preparing listing application documents; and
- BOCOM International Asia had an otherwise clean disciplinary record.

Measures on Internal Control and Risk Management

The Group has in the past implemented various measures to strengthen the internal control and risk management in relation to the IPO sponsorship business of the Group. During the investigation of the listing application of China Huinong by the SFC, the Group agreed to review and enhance its policies, procedures and practices relating to its sponsorship work, particularly in the areas of performing due diligence on the listing applicants and preparing listing application documents. Since the return of China Huinong's listing application by the Stock Exchange, the Group has implemented the following measures:

- amended the Sponsor Due Diligence Committee Manual and clarified the responsibilities and approval procedures of the Sponsor Due Diligence Committee, including adding an internal legal counsel as a committee member in addition to other existing committee members (including but not limited to the Head of the Legal and Compliance Department and the Head of the Risk Management Department), emphasising the independence of the principals attending the committee meeting to review IPO sponsorship projects, standardising the memorandum in respect of each IPO sponsorship transaction to be submitted to the committee for its review (e.g. further clarifying the necessary information and issues to be set out in such memorandum) and requiring the transaction team to take the necessary follow-up actions recommended by the Sponsor Due Diligence Committee and to submit an updated memorandum to the Sponsor Due Diligence Committee for approval prior to the filing of a listing application with the Stock Exchange;
- provided clearer guidelines in relation to the responsibilities and approval procedures of the Deal Screening Committee;

(4) Under paragraph 17.9(a) of the Code of Conduct, a sponsor should reasonably satisfy itself that all information provided to the Stock Exchange and the SFC during the listing application process is accurate and complete in all material respects and not misleading in any material respect and, if it becomes aware that the information provided does not meet this requirement, the sponsor should inform the Stock Exchange and the SFC (as the case may be) promptly.

- formalised the work and procedures on annual compliance audit on the IPO sponsorship business and expanded the scope of the audit from half of the total number of transactions to cover all the transactions in which BOCOM International Asia acts as a sponsor;

- updated and enhanced the risk management and internal control policies in respect of the corporate finance and underwriting business; and

- enhanced the policies on Chinese walls and segregation of duties.

After the SFC issued the above press release in relation to China Huinong's listing application in March 2017, the Company has resolved to implement or has already implemented the following additional measures in order to further improve internal control and risk management in relation to the Group's IPO sponsorship business:

- the Group will introduce a quality control function within the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department which will be responsible for reviewing and monitoring the sponsor due diligence work to ensure the quality of the Group's IPO sponsorship work, particularly in the areas of due diligence on listing applicants and preparation of listing application documents. A quality control expert who is of a regulatory background with professional experience will be in charge of such quality control functions. The specialist will be independent from the business transaction team, and will be responsible for conducting a live assessment of the quality of sponsorship work throughout the entire IPO process from the intake of the project to completion of the IPO in respect of every transaction in which BOCOM International Asia acts as a sponsor. The specialist will directly report to both the Head of the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department and the Head of the Legal and Compliance Department;

- the Group will enhance the relevant disciplinary mechanism, which will include expressly setting out the follow-up and punitive actions and measures that may be taken by the Group in the event of failure of licensed representatives in discharging their duties in relation to IPO sponsorship work and related non-compliance as a deterrent to such failure and non-compliance;

- the Group will expand the scope of the existing annual compliance audit programme which currently includes IPO sponsorship work generally to also include the work of the quality control specialist;

- the Group will arrange for the quality control specialist and external professionals to provide licensed representatives in the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department with regular and *ad-hoc* training in relation to the Code of Conduct, IPO sponsor-related work and, in particular, sponsors' due diligence;

- the Group has reviewed and enhanced the composition of the Sponsor Due Diligence Committee in charge of overseeing IPO sponsor-related work in order to improve the quality of the project review and approval process. The President and the Deputy Chief Executive Officer of the Company have been designated as the chairman and the vice-chairman of the Sponsor Due Diligence Committee, respectively, with independent principals with no conflict of interests also serving as members of the Sponsor Due Diligence Committee; and

- the Group has adjusted the relevant internal reporting lines to enhance the risk management and compliance work. The Chairman of the Company directly oversees risk management and compliance work while the Head of the Risk Management Department and the Head of the Legal and Compliance Department directly report to the Chairman.

The Directors understand from the press release in relation to China Huinong's listing application issued by the SFC in March 2017 that there was no evidence to suggest a systemic failure in BOCOM International Asia's policies, procedures and practices relating to its sponsorship work. The Directors believe that the relevant policies and procedures in relation to the Group's sponsorship work including the above measures adopted by the

Group to strengthen the internal control and risk management in relation to the IPO sponsorship business and the further measures to be implemented by the Group can adequately address the issues identified in the above SFC investigation, and are adequate and effective.

Non-compliance incidents involving Licensed Representatives previously accredited to the Group

In order to lawfully conduct regulated activities in Hong Kong, the relevant subsidiaries within the Group which are licensed corporations, their Responsible Officers and Licensed Representatives must be duly licensed with the SFC under the SFO unless specific exemptions are available.

During the Track Record Period, various Licensed Representatives accredited to BOCOM International Securities, a licensed corporation within the Group, were involved in incidents of regulatory non-compliance while accredited to the Group. As a result, they were subject to SFC disciplinary actions and penalties. In all of those incidents, the Group was not, however, subject to any SFC disciplinary action or penalty. Details of those incidents involving Licensed Representatives accredited to BOCOM International Securities during the Track Record Period and up to the Latest Practicable Date, and the principal follow-up actions taken by the Group, are summarised below:

Name of the Licensed Representative previously accredited to BOCOM International Securities	Non-compliance incident involving Licensed Representative previously accredited to BOCOM International Securities	Principal follow-up actions taken by the Group
Mr. Stephen CHO Yu Kwan, a Licensed Representative previously accredited to BOCOM International Securities	In November 2013, the SFC issued an announcement confirming that it had suspended Mr. Stephen CHO Yu Kwan, a Licensed Representative previously accredited to BOCOM International Securities, for three years from 22 November 2013 to 21 November 2016 and reprimanded his wife, Ms JU You Li, a Licensed Representative accredited to two other licensed corporations not within the Group during the relevant period, and fined her HK$100,000. The disciplinary action followed an SFC investigation which found that between August and December 2010, there were a number of suspicious fund transfers of significant amounts to and from the personal bank accounts of Mr. Cho and Ms. Ju. The SFC found that those transfers involved funds that had been advanced to them by money changers in both Hong Kong and the PRC on behalf of PRC clients. Money for Mr. Cho's clients was routed through Ms. Ju's personal bank account to the securities accounts of Mr. Cho's clients and funds for Ms. Ju's clients were transferred to the securities accounts of Ms. Ju's clients via Mr. Cho's personal bank account. The effect of those arrangements was to create an additional layer of the fund transfer process disguising the true source of the funds that were being used and prejudicing their employers' obligations to know the origin of their clients' money, both of	The Group was not subject to any SFC disciplinary action or penalty in this incident. Mr. Cho ceased to be a Licensed Representative of BOCOM International Securities in November 2013. Pursuant to the relevant internal policies of BOCOM International Securities at the material times, BOCOM International Securities generally did not accept third-party deposits or withdrawals unless in exceptional circumstances and subject always to prior approval by management including the relevant Responsible Officers, the Risk Management Department and the Legal and Compliance Department being obtained. Following this incident and with a view to reducing the possibility of similar incidents occurring, the Legal and Compliance Department sent to the staff in the relevant business lines a compliance reminder in relation to the relevant BOCOM International Securities internal policies and the need to, among other things, strictly comply with those policies, take reasonable steps to identify funds from third-party sources and the reasons behind any such fund transfers, pay special attention to monitoring frequent or large third-party fund transfers and cheque payments.

Name of the Licensed Representative previously accredited to BOCOM International Securities	Non-compliance incident involving Licensed Representative previously accredited to BOCOM International Securities	Principal follow-up actions taken by the Group
	which constitute important information in the prevention and identification of money laundering activities. According to Mr. Cho and Ms. Ju, the funds deposited to their accounts came from their PRC-based clients. However, they had no actual knowledge to confirm their belief. Nor did they verify whether the money received in Mr. Cho's account was provided by the money changers and whether the relevant clients had transferred the equivalent amount of Renminbi to the money changers' accounts in the PRC. Mr. Cho admitted that he received a service fee from some of these clients for the services he rendered. Mr. Cho also admitted that on some occasions the money received from the money changers might be kept in his personal bank account temporarily, if the clients' securities trading accounts at his employer had not yet been opened. Both Mr. Cho and Ms. Ju knew that as Licensed Representatives and account executives, they should not be personally involved in arranging money transfers for their clients and that by doing so they bypassed processes and requirements of their employers. In deciding the penalty, the SFC took into account the following: ● the manner in which Mr. Cho and Ms. Ju allowed their personal bank accounts to be used as conduits for transferring funds of unverified sources and their attempts to bypass the internal requirements of their employers were dishonest conduct and posed a serious threat to the integrity of the market; ● Mr. Cho and Ms. Ju failed to perform proper know-your-client procedures in that they failed to identify and verify beneficial ownership of the relevant client accounts and the source of the clients' funds; and	BOCOM International Securities further enhanced its customer due diligence and strengthened the ongoing monitoring of third-party deposits and withdrawals. Further, the Group enhanced the anti-money laundering and counter-terrorist financing training delivered to its front-line staff by including specific training on third-party deposits and withdrawals.

Name of the Licensed Representative previously accredited to BOCOM International Securities	Non-compliance incident involving Licensed Representative previously accredited to BOCOM International Securities	Principal follow-up actions taken by the Group
	• a clear message needed to be sent to the market that account executives should not meddle with the settlement procedures of their firms which are designed to protect their firms and their clients from financial loss, fraud and other misconduct. Although the SFC was of the view that the nature and seriousness of this matter would have also justified a suspension of Ms. Ju's licence, the SFC decided to reprimand Ms. Ju and fine her HK$100,000 after taking into account the effect on the family of Mr. Cho and Ms. Ju and recognising Ms. Ju's role was a secondary one with Mr. Cho primarily involved in liaising with the money changers and the PRC clients in arranging the transfer of funds.	
Mr. MAK Shu Pan, a Licensed Representative previously accredited to BOCOM International Securities	In April 2014, the SFC issued an announcement confirming that it had banned Mr. MAK Shu Pan, a Licensed Representative previously accredited to BOCOM International Securities, from re-entering the industry for three years from 1 April 2014 to 31 March 2017. The disciplinary action followed an SFC investigation which found that Mr. Mak had allowed a woman to open and operate an account at BOCOM International Securities in her mother's name. Mr. Mak had never met and conducted know-your-client procedures with the mother, who was the account holder, but falsely declared in the account opening forms that he had witnessed her signature and explained the contents of the risk disclosure statement to her. The account holder had not authorised any third party, including her daughter, to operate her account. The SFC also found that Mr. Mak had conducted transactions in the account on a discretionary basis in reliance upon the daughter's acquiescence, but without the authorisation of the account holder. The SFC considered that Mr. Mak's conduct called into question his fitness and properness to be a licensed person. In deciding the penalty,	The Group was not subject to any SFC disciplinary action or penalty in this incident. Mr. Mak ceased to be a Licensed Representative of BOCOM International Securities in June 2012. Following this incident and with a view to reducing the possibility of similar incidents occurring, the Group further enhanced its policies on monitoring the transaction processes and the conduct of its front-line staff. The enhanced measures include: • conducting spot-checks of transactions conducted by its frontline staff and immediately issuing reminders to the staff involved where unsatisfactory behaviour has been identified • enhancing the mechanism for checking and monitoring transaction orders and electronic settlement records • conducting daily monitoring of telephone recording on client transactions conducted by the Group's securities brokerage staff on a sampling basis • conducting enhanced monitoring of the personal transactions of the Group's securities brokerage staff

Name of the Licensed Representative previously accredited to BOCOM International Securities	Non-compliance incident involving Licensed Representative previously accredited to BOCOM International Securities	Principal follow-up actions taken by the Group
	the SFC took into account all relevant circumstances, including the following: ● Mr. Mak had abused the trust his employer placed in him by falsely representing to his employer that he had witnessed the signature of the account holder and explained the risk disclosure statement to her; ● Mr. Mak's actions seriously jeopardised the account holder's interests and resulted in financial loss of around HK$1 million to her; ● As compensation, Mr. MAK paid the account holder HK$100,000 and entered into an agreement to pay a further sum of HK$1,000,000; and ● Mr. MAK had an otherwise clean disciplinary record.	
Mr. KU Yuen Leung, a Licensed Representative previously accredited to BOCOM International Securities	In August 2016, the SFC issued an announcement confirming that it had suspended the licence of Mr. KU Yuen Leung, a Licensed Representative previously accredited to, and an account executive of, BOCOM International Securities, for 18 months from 23 August 2016 to 22 February 2018 for engaging in manipulative activities. The disciplinary action followed an SFC investigation which found that between 5 and 26 November 2010, Mr. Ku created a false or misleading appearance in the market with respect to the shares of Agricultural Bank of China Limited by placing large-sized bid orders for the Agricultural Bank of China Limited shares to drive up the prices of five related call warrants. All the bid orders in the Agricultural Bank of China Limited shares which were cancelled immediately after Mr. Ku sold the related warrants at inflated prices for profit were apparently not based on genuine demand but were intended to influence the market making decision of their liquidity providers.	The Group was not subject to any SFC disciplinary action or penalty in this incident. Mr. Ku ceased to be a Licensed Representative of BOCOM International Securities in July 2016. Following this incident, the Legal and Compliance Department sent a compliance reminder to management and Responsible Officers to remind them that market manipulation is a serious offence and may lead to imprisonment, in order for them to give similar reminders to frontline staff under their supervision.

Name of the Licensed Representative previously accredited to BOCOM International Securities	Non-compliance incident involving Licensed Representative previously accredited to BOCOM International Securities	Principal follow-up actions taken by the Group
	Mr. Ku made a gross profit of HK$15,500 from trading the warrants. In deciding the sanction, the SFC was of the view that Mr. Ku's misconduct had undermined the integrity of the market and that he was not a fit and proper person to remain licensed. Mr. Ku, who had applied to the Securities and Futures Appeals Tribunal for a review of the SFC's sanction, was granted leave to withdraw his appeal on 23 August 2016.	

To the best of their knowledge, information and belief and based upon information currently available to them, the Directors do not believe that any of the existing Directors or member of the senior management of the Group was subject to any disciplinary action or sanction by the competent regulatory authorities in respect of any of the above regulatory non-compliance incidents involving former Licensed Representatives of the Group.

Save as disclosed above, to the best of their knowledge, information and belief and based upon information currently available to them, the Directors are not aware of any other public disciplinary action that has been taken by the competent regulatory authorities against any member of the Group or any of its Responsible Officers or Licensed Representatives relating to activities undertaken by them during their employment with the Group during the Track Record Period and up to the Latest Practicable Date.

Measures on Internal Control and Risk Management

Other than the follow-up actions taken by the Group in relation to the non-compliance incidents involving former employees of the Group as described above, the Group has implemented various other measures in order to seek to strengthen the internal control and risk management of the Group. For details of the measures regarding internal control and risk management adopted by the Group, see "*Risk Management — Risk Management and Internal Control Measures in our Principal Business Lines*".

Ongoing Investigations

Our three subsidiaries in Hong Kong, namely, BOCOM International Asia, BOCOM International Securities and BOCOM International Asset Management, are licensed corporations under the SFO and may be subject to SFC inquiries and investigations from time to time. As at the Latest Practicable Date, our relevant subsidiaries were involved in the following ongoing SFC investigations pertaining to:

BOCOM International Asia

- a listing on the Stock Exchange in 2010 of a PRC-based company, where BOCOM International Asia was a joint sponsor.

BOCOM International Securities

- suspected misconduct by three former Licensed Representatives, and questions about BOCOM International Securities' internal control; and

- the fitness and properness of a former Licensed Representative, and questions about BOCOM International Securities' internal control.

As at the Latest Practicable Date, (i) the Directors and the senior management had confirmed that they were not "persons under investigation" in respect of the foregoing investigations; and (ii) the SFC had not taken any regulatory action against the relevant entities, us or the Directors or senior management in respect of the foregoing investigations. The SFC's investigations remain ongoing and are subject to statutory secrecy under section 378 of the SFO. Therefore, no additional details about them can be disclosed in this prospectus at this stage.

If, after the SFC's investigations have been concluded, the SFC considers that any of those entities, us, the Directors and/or our senior management may have engaged in misconduct or might otherwise not be fit and proper, the SFC can take various steps, including disciplinary action. If disciplinary action is taken, it could result in regulatory penalties. Penalties could include public reprimands, fines and/or suspension or revocation of SFC licences and, if imposed, might materially and adversely affect our reputation, business, prospects and financial position. Also see "*Risk Factors — Risks relating to Our Business and Industry — We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may result in penalties, prohibitions on our future business activities or suspension or revocation of our licences, and consequently may materially and adversely affect our business operations and prospects*".

As the foregoing investigations remain ongoing, it is not possible for us to accurately predict if any disciplinary action will be taken against the relevant entities after the conclusion of the investigations and, if so, the nature and extent of any such action. However, the Directors have carefully considered each of the matters in question and various factors relating to those matters, including legal advice from external legal counsel, the nature of each investigation and the prevailing circumstances and issues of relevance, relevant enforcement actions taken by the SFC in past disciplinary cases and the relevant entity's financial contribution to our revenue and other income during the Track Record Period. To the best of their knowledge and belief, and based upon information currently available to them, the Directors do not believe these investigations are likely to result in regulatory action that would materially and adversely affect our business prospects, financial position, results and operations. In particular, (i) having considered the factors identified above (particularly the legal advice from external legal counsel and the relevant enforcement actions taken by the SFC in past disciplinary cases), the Directors understand that if any SFC disciplinary action is taken against BOCOM International Securities in each of the matters referred to above, such action may only likely include a disciplinary fine and a public reprimand, and the Directors do not believe such action would materially and adversely affect our business prospects, financial position, results and operations; (ii) in respect of BOCOM International Asia, if any SFC disciplinary action is taken against BOCOM International Asia, it may be too premature and therefore more difficult to assess what action the SFC might take. Having considered the factors identified above, and in particular, the financial contribution of BOCOM International Asia to the Group (in 2014, 2015 and 2016, the revenue and other income, the total assets and the total liabilities of BOCOM International Asia represented less than 3% of the total revenue and other income, the total assets and the total liabilities of the Group, respectively; in 2014, 2015 and 2016, BOCOM International Asia recorded net losses while the Group recorded net profits), and to the best of their knowledge and belief and based upon information currently available to them, the Directors do not believe the above SFC investigation against BOCOM International Asia is likely to result in regulatory action that would materially and adversely affect our business prospects, financial position, results and operations. As at the Latest Practicable Date, we had not made any provision in our financial statements in respect of any of the above ongoing investigations on the basis that we consider financial liability at the current stage is neither reasonably probable nor reasonably estimable.

The Directors wish to highlight to investors that we take all investigations by the SFC and other regulatory authorities seriously, and will take appropriate and prompt steps to ensure that any areas proved to be deficient or non-compliant will be rectified.

Concluded Investigation Without Enforcement Action Subsequent to the Track Record Period

During the Track Record Period, we were subject to an SFC investigation pertaining to suspected unlicensed dealing on the part of BOCOM International Securities and a former Licensed Representative, and failure to

identify and verify third-party deposits on the part of BOCOM International Securities. On 31 March 2017, we received written confirmation from the SFC that such investigation has been completed and the SFC is not presently recommending enforcement action against us.

Regulatory Inspections in Hong Kong

The SFC carries out routine or *ad hoc* inspections, examinations and inquiries in respect of our three relevant SFC-regulated subsidiaries' compliance with the laws, regulations, guidelines and regulatory requirements applicable to them and their business. During the Track Record Period and up to the Latest Practicable Date, the SFC carried out the following routine or *ad hoc* inspections:

BOCOM International Asia

- a site inspection in relation to the sponsorship business of BOCOM International Asia since January 2017.

BOCOM International Securities

- a site inspection in June 2014, where the SFC noted deficiencies/weaknesses in relation to a number of areas, including "management oversight over IT security risks", "application vulnerability", "application controls and processing integrity", "backup and contingency", "user access controls", "application vulnerability – technical configurations" and "network infrastructure architecture design"; and

- a limited review in July 2016, where the SFC noted deficiencies/weaknesses in relation to a number of areas, including "suspicious transactions monitoring and reporting", "institutional risk assessment", "customer due diligence", "third party operated accounts" and "monitoring the effectiveness of training".

BOCOM International Asset Management

- a site inspection in June 2014, where the SFC noted deficiencies/weaknesses in relation to a number of areas, including "investment compliance", "reconciliation", "dealing process" and "segregation of duties".

To the best of the Directors' knowledge and belief, and based on information currently available to them (a) BOCOM International Securities and BOCOM International Asset Management have taken various steps to address the principal deficiencies/weaknesses identified (as set out below), and have notified the SFC that such steps had been/will be taken; and (b) except as disclosed in "— *Regulatory Non-compliance and Disciplinary Actions*", as at the Latest Practicable Date, the SFC had not commenced any investigations into the matters identified in such routine or *ad hoc* inspections, examinations and inquiries (if any).

We have implemented the following remedial measures in response to the deficiencies/weaknesses identified in the above-mentioned regulatory inspections:

BOCOM International Securities

- In respect of the June 2014 site inspection, we implemented the following remedial measures: regular tests to identify possible vulnerabilities relating to internet trading systems, enhanced systems, and conducted a gap analysis on electronic and trading systems to ensure compliance with applicable rules

in the SFC's Code of Conduct relating to electronic trading. We also appointed an external IT consultant to assess IT security and assist with implementing enhancements.

- In respect of the July 2016 limited review, we implemented the following remedial measures: acquired an anti-money laundering system to enhance suspicious transaction reporting, enhanced anti-money laundering compliance audit reports to assist senior management with assessing relevant risks, enhanced anti-money laundering policy and relevant procedures with respect to customer due diligence, implemented regular monitoring of third-party operated accounts, and introduced a test in regular anti-money laundering training to monitor the effectiveness of training.

BOCOM International Asset Management

- In respect of the June 2014 site inspection, we implemented the following remedial measures: enhanced daily pre-trade and post-trade compliance monitoring and record keeping relating to such monitoring, implemented an investment compliance checklist to assist staff, implemented portfolio reconciliation procedures and record keeping requirements, enhanced order placing procedures to address scenarios where a dealer is out of the office, and introduced an independent review of portfolio reconciliation to address concerns about the segregation of duties.

Regulatory Inspections in China

As part of Shanghai CSRC's 2017 on-site inspection of private funds in Shanghai, BOCOM International (Shanghai), as one of the 26 randomly selected private fund management institutions, will be participating in such on-site inspection by the Shanghai CSRC. On 27 March 2017, BOCOM International (Shanghai) received the formal written notification of the on-site inspection. The on-site inspection commenced in April 2017.

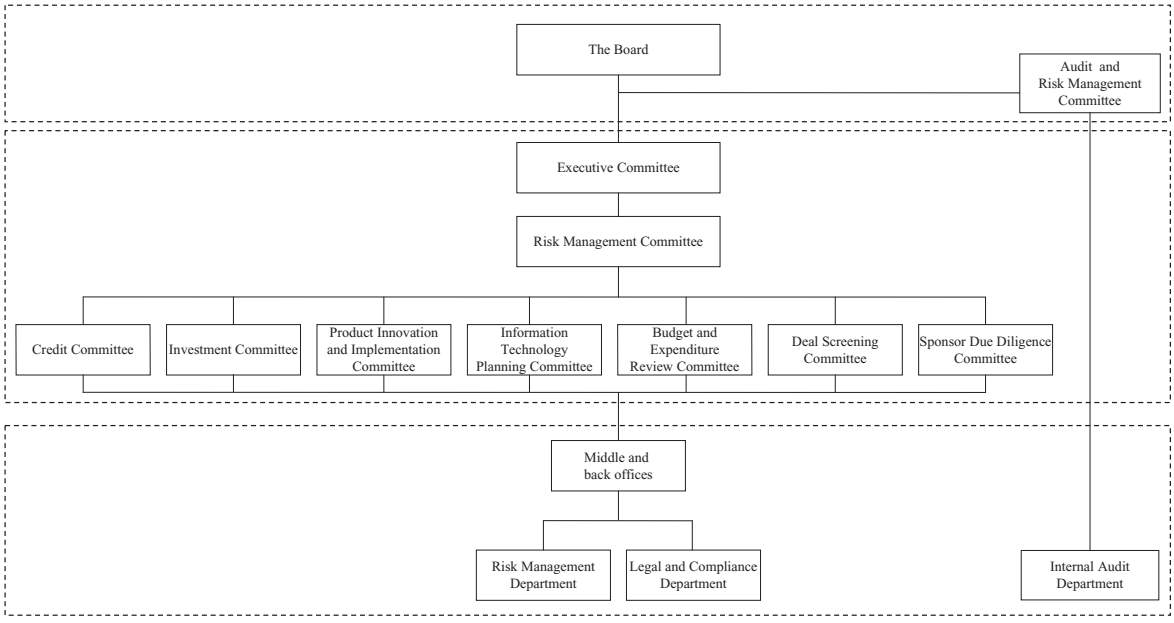
OVERVIEW

We have established sound corporate governance and comprehensive risk management and internal control processes to monitor, evaluate and manage the principal risks assumed in the ordinary course of our business. We strive to reduce the uncertainties related to our business strategies, seek to achieve a balance between business development and risk management efficiency, and proactively build our risk management culture into every level of the Group. We are also committed to strict compliance with risk management procedures and rules in order to achieve reasonable asset allocation in our portfolio.

During the ordinary course of our business activities, we are exposed primarily to the following risks: (i) credit risk arising primarily from the default of our clients in performing their contractual obligations, which mainly exist in our securities brokerage and margin financing as well as investment and loans businesses; (ii) operational risk arising from improper operations or errors in executing transactions; (iii) compliance risk of being subject to legal and regulatory sanctions, enforcement actions or penalties arising from non-compliance of our operations with the applicable rules and regulations; (iv) legal risk arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved; and (v) market risk arising from changes of market, including equity risk due to price fluctuations in our equity-based assets, and interest rate and exchange rate risks leading to a loss of, or decrease in, the income or our trading or investing positions. In addition, we also face liquidity and reputational risks.

RISK MANAGEMENT FRAMEWORK

We have established a three-tier risk management structure, which consists of: (i) the Board; (ii) the Risk Management Committee and its seven special committees; and (iii) the relevant middle and back offices in charge of the execution of risk management, including the Risk Management Department and the Legal and Compliance Department, along with all of our business units. The following chart illustrates our risk management framework:



The Board

The Board is the highest level of our risk management and internal control structure. It is responsible for establishing our overall risk management framework, overseeing our risk management processes, reviewing and approving our risk management and internal control policies and strategies, and assessing the effectiveness of our internal control systems.

Audit and Risk Management Committee

Our Audit and Risk Management Committee of the Board is mainly in charge of: (i) advising the Board on the appointment, reappointment and removal of external auditors; (ii) assessing the completeness of the Group's financials and annual, semi-annual and quarterly (if to be published) reports and reviewing the major financial judgements in the foregoing financials and reports; and (iii) evaluating the financial internal control of the Group.

Mr. LIN Zhijun serves as the chairman of this committee. See "*Directors and Senior Management*". The Board appoints non-executive Directors as members of this committee, a majority of whom are independent.

Executive Committee

The Executive Committee is primarily responsible for: (i) approving new projects of certain types of our businesses in the daily operations; (ii) determining internally proposed applications for credit limits and extensions; (iii) reviewing certain connected transactions of the Group; and (iv) approving disposal plans for certain non-performing assets. As at 31 December 2016, members on our Executive Committee had, on average, nearly 23 years of experience in the securities and financial industry.

Our Chairman, Mr. TAN Yueheng, serves as the chairman of this committee. See "*Directors and Senior Management*".

Risk Management Committee

Our Risk Management Committee is the decision-making body of risk management. The primary responsibilities of our Risk Management Committee include: (i) reviewing our risk management objectives according to the risk management strategies determined by the Board and senior management, and formulating overall policies, tactics and management procedures regarding overall risk management; (ii) determining risk mitigation plans for major risk management events, and monitoring the implementation of the risk management system, rules and procedures at each line of responsibility within the Group; (iii) assessing periodically our overall risk management performance, risk tolerance level and the effectiveness of our internal control policies; and (iv) supervising the seven special committees under its auspices in their respective risk management work.

Our Chairman, Mr. TAN Yueheng, serves as the chairman of this committee. See "*Directors and Senior Management*".

Special Committees under the Risk Management Committee

We have established seven special committees, each with a different focus, under the Risk Management Committee to facilitate the overall risk management and implementation processes.

Credit Committee

Our Credit Committee is mainly in charge of the risk management of our securities brokerage and margin financing business and the implementation of our credit risk policies. The primary responsibilities of our Credit Committee include: (i) monitoring our risk management performance with reference to various risk indicators, such as the loan-to-margin ratio and loan-to-value ratio, the percentage of margin loans attributable to our top 20 customers by loan balance, and margin loan balance attributable to a single client; (ii) maintaining a list of shares qualified as collateral for our margin financing business and reviewing such list periodically; (iii) approving customers' applications on trading limit and credit limit; and (iv) developing risk management policies for transactions of cash accounts and institutional clients as well as settlement arrangements.

Our Chairman, Mr. TAN Yueheng, serves as the chairman of this committee. See "*Directors and Senior Management*".

Investment Committee

Our Investment Committee is mainly in charge of the risk management of our investment and loans business. The primary responsibilities of our Investment Committee include: (i) examining and approving investment projects in our investment and loans business; (ii) reviewing our risk management policies and operational guidelines relating to our investment and loans business; (iii) assessing and advising on, and approving, our short-term and long-term investment strategies, including setting limits on the annual investment scale and finalising asset allocation arrangements; and (iv) assessing risks of our investment portfolios and the corresponding risk mitigation measures.

Our Chairman, Mr. TAN Yueheng, serves as the chairman of this committee. See "*Directors and Senior Management*".

Product Innovation and Implementation Committee

Our Product Innovation and Implementation Committee is mainly in charge of the risk management of product development. The primary responsibilities of our Product Innovation and Implementation Committee include: (i) evaluating the viability of new products in light of potential risks, reviewing and determining product structure and development plans; (ii) coordinating and supervising the product development process; and (iii) formulating and optimising rules and procedures for major products and services under development.

Our President, Mr. LI Ying, serves as the chairman of this committee. See "*Directors and Senior Management*".

Information Technology Planning Committee

Our Information Technology Planning Committee is mainly in charge of the management of operational risk of our IT systems to ensure the continuity of our business. The primary responsibilities of our Information Technology Planning Committee include: (i) developing long-term IT infrastructure strategies; and (ii) reviewing matters such as purchases, assessment and upgrades relating to our IT infrastructure.

Our President, Mr. LI Ying, serves as the chairman of this committee. See "*Directors and Senior Management*".

Budget and Expenditure Review Committee

Our Budget and Expenditure Review Committee is mainly in charge of overseeing, examining and evaluating our financial performance. The primary responsibilities of our Budget and Expenditure Review Committee include: (i) supervising and assessing our financial performance; and (ii) making decisions regarding material expenditures, such as IT-related expenses and advertising fees that exceed HK$1.0 million per transaction, and the acquisition, leasing and disposal of real estate and other fixed assets.

Our President, Mr. LI Ying, serves as the chairman of this committee. See "*Directors and Senior Management*".

Deal Screening Committee

Our Deal Screening Committee is mainly in charge of the risk management of our corporate finance and underwriting business. The primary responsibilities of our Deal Screening Committee include: (i) examining and approving proposed projects of our corporate finance and underwriting business; (ii) participating in the decision-making process for major execution steps of corporate finance and underwriting projects; and (iii) evaluating projects before the signing of key legal documents.

Our Deputy Chief Executive Officer, Mr. CHENG Chuange, serves as the chairman of this committee. See "*Directors and Senior Management*".

Sponsor Due Diligence Committee

Our Sponsor Due Diligence Committee is mainly in charge of supervising sponsor deals of our corporate finance and underwriting business. The primary responsibilities of our Sponsor Due Diligence Committee include: (i) supervising sponsor deal teams regarding due diligence issues, monitoring the due diligence execution of the sponsor deal teams and requesting additional due diligence to be conducted at its discretion; and (ii) examining sponsor deals and granting approval for submissions of listing applications.

Our President, Mr. LI Ying, serves as the chairman of this committee. See "*Directors and Senior Management*".

Risk Management Department

The Risk Management Department is mainly responsible for the overall risk management and control of credit, market, operational and reputational risks, and is in charge of optimising risk management procedures to identify, assess, measure, mitigate, monitor and report risks. In particular, there are three special teams operating under our Risk Management Department, in charge of credit, operational, investment and market risk management, respectively:

- the Credit Risk Management Team is primarily responsible for the credit risk management of our securities brokerage and margin financing business, participating in the review process and supervising the relevant risk management work;

- the Operational Risk and Investment Deal Management Team is primarily responsible for the risk management of the investment and loans business. It participates in the initial risk evaluation process and the post-financing monitoring of our investment and loans projects. It is also in charge of the overall operational risk management and reports to the senior management both on a regular and an *ad hoc* basis; and

- the Market Risk Management Team is primarily responsible for the market risk management of our investment and loans business, participating in the review process and post-investment market monitoring of our investments.

Legal and Compliance Department

Our Legal and Compliance Department is mainly responsible for managing our legal and compliance risks. In particular, there are three special teams operating under our Legal and Compliance Department in charge of different areas of risk management:

- the Legal Team is primarily responsible for managing the legal risks associated with our business operations and providing day-to-day legal support and advice to our management, business departments and middle and back offices;

- the Product Compliance Team is primarily responsible for advising on compliance matters and regulatory requirements to our senior management and business departments on our products and services, and continuously identifying, assessing and managing compliance risks on our products and services; and

- the Regulatory Compliance Team is primarily responsible for formulating and updating our compliance policies and providing training to our employees and self-employed account executives to enhance their understanding of, and compliance with, applicable laws, regulations and guidelines and our internal policies, as well as supervising, monitoring and reporting the overall compliance status of the Group.

Mr. CHAN Chun Kwok Joe serves as the head of our Legal and Compliance Department. See "*Directors and Senior Management*".

Internal Audit Department

Our Internal Audit Department is responsible for auditing and examining the effectiveness and implementation of our risk management procedures as well as conducting an overall evaluation of our risk management system. The head of our Audit Department has 20 years' experience of management, compliance and auditing in the financial industry.

MONITORING AND MANAGEMENT OF MAJOR RISKS

We have established a comprehensive risk management process for identifying, assessing, measuring, mitigating, monitoring and reporting credit, market, liquidity, operational, compliance and legal and reputational risks in our business operations.

Credit Risk Management

Credit risk refers to the risk of loss when our customers, counterparties or issuers of bonds in our investment portfolio or borrowers of loans fail to perform their respective contractual obligations when due. Our credit risk mainly exists in our securities brokerage and margin financing business and investment and loans business when:

- our margin financing client breaches the contract and does not repay the debts owed to us;
- the bond issuer relating to our investment portfolio or the loan borrower breaches the contract and does not pay the principal and the interests in full or at all; and
- our securities brokerage client fails to meet settlement obligations.

We seek to control our credit risk exposure within our tolerance level and maximise our risk-adjusted returns by identifying, quantifying, monitoring and managing credit risk based on our risk preference and net capital level. In order to effectively manage our credit risk exposure, we have adopted the following measures:

- our Risk Management Committee is primarily responsible for designing our risk management structure and strategies for our principal businesses, reviewing and monitoring the implementation of risk management policies for our principal businesses, identifying risks and updating our risk management policies in response to changes;
- the Credit Committee mainly oversees the credit risk management for our securities brokerage and margin financing business and the implementation of our credit risk policies;
- we have established a credit risk management framework covering all stages from due diligence, credit review and collateral management to post-loan credit examination;
- we monitor the loan-to-margin ratio and loan-to-value ratio on a regular basis of each client to whom we have provided financing and take appropriate actions to recover or minimise our losses. A daily report on our client's outstanding loan amount, value of the collateral and loan-to-margin and loan-to-value ratio is generated for our ongoing monitoring and review;
- we have utilised tools such as limit indicators, admission criteria, due diligence standards and internal audit requirements in developing our business in accordance with our risk appetite;
- we have developed a comprehensive set of "Know Your Clients" due diligence and evaluation procedures that focus on both the source of repayment and the sufficiency of credit enhancement measures in accordance with the relevant SFC guidance; and we also utilise data or information provided by reliable and independent sources such as criminal or civil and bankruptcy records of relevant authorities to evaluate our clients or parties, when such data or information is available;

- we have structured a hierarchy of authority and approval procedures for determining the credit limit and trading limit for our securities brokerage and margin financing customers and analyse their creditworthiness and risk tolerance based on various factors;

- we closely monitor the loan-to-value ratio (if applicable) and repayment ability of our investment and loans clients and take appropriate actions to recover or minimise our losses where we foresee that our clients may default on their obligations;

- we conduct stress tests in respect of our outstanding margin loans to assess our credit risk exposure;

- we monitor and estimate our credit risk exposure and the concentration of such on a daily basis, and periodically report our credit risk management performance as well as irregularities, if any, to our senior management and the Credit Committee; and

- we follow the relevant asset classification guidelines of the CBRC in classifying our loans granted to our customers, and we monitor the quality of our asset portfolio and regularly revisit our asset classification accordingly.

In particular, we classify the loans granted to our customers into five categories, namely, "normal", "special mention", "substandard", "doubtful" and "loss" (the latter three of which constitute the "non-performing" category), and the following table sets forth the classification criteria for each category:

Category	Criteria
Normal	Loans are classified as "normal" if the borrower is able to perform the contract and there is insufficient reason to doubt its ability to timely repay the principal and interest of the relevant loan.
Special mention	Loans are classified as "special mention" if the borrower is currently able to repay the principal and interest of the relevant loan, but its ability may be adversely affected by certain existing factors.
Substandard	Loans are classified as "substandard" if the borrower's ability to make loan payments is evidently questionable, as it cannot rely entirely on its revenue from normal business operations to repay the principal and interest of the relevant loan in full, and we will incur losses even if our rights to collateral are invoked.
Doubtful	Loans are classified as "doubtful" if the borrower is unable to repay the principal and interest of the relevant loan in full, and we will incur significant losses even if our rights to collateral are invoked.
Loss	Loans are classified as "loss" if we can recover nothing or little from the loan after all possible measures or necessary legal remedies have been exhausted.

Market Risk Management

Market risk refers to the risk of loss resulting from an adverse movement in relevant markets. Our market risk mainly exists in our investment and loans and asset management and advisory businesses, and we primarily face interest rate, equity and exchange rate risks in the following ways:

- our interest rate risk is mainly attributable to portfolio risk exposure to changes in the term structure of fixed-income investment, interest rate movements and credit spreads;

- our equity risk is mainly attributable to portfolio risk exposure to changes in prices and volatility of equity securities; and

- our exchange rate risk is mainly attributable to portfolio risk exposure to exchange rate volatility for our investments in foreign currencies.

In order to effectively manage our market risk exposure, we have adopted the following measures:

- we evaluate market risk before engaging in new projects in our investment and loans and asset management and advisory business;

- our Executive Committee and heads of our business units regularly review our balance sheet and profit and loss accounts to assess our risk exposure, especially during adverse market movements;

- we review our trading positions on a daily basis and general market condition from time to time, and issue alerts to the business units about irregular fluctuations;

- our Investment Committee is responsible for formulating investment strategy and scope and our investment managers are responsible for executing investment decisions;

- we monitor our daily asset management activities to ensure that the investment strategy and scope, asset allocation, selection of asset class and concentration level of each asset management product matches its product descriptions and disclosure in marketing materials;

- we have established a sound risk limit indicator system that monitors our equity, debt and fund investments, and these indicators include, among other things, beta (a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole), liquidity risk indicator, duration, VaR, trading limits and stop-loss limits;

- we perform stress tests for our funds and asset portfolio every month, conduct post-event examination, and update the condition of our investments to our Executive Committee on a monthly basis;

- our Risk Management Department coordinates with, and supervises, business units regarding the execution of market risk policies in daily operations and identifies high-risk areas through communicating with these business units on macroeconomic trends and investment strategies for continual risk monitoring purposes; and

- for certain commodity derivatives transactions, we enter into commodity derivatives transactions at offshore commodity futures exchanges in opposite direction on substantially similar prices with a spread and on otherwise identical commercial terms, in order to offset the gap between the investment gains and the investment losses from the derivative transactions in opposite direction.

Liquidity Risk Management

Liquidity risk refers to the risk of our failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay due debts, perform other payment obligations and satisfy the capital requirements to carry on our businesses in the ordinary course. We are required to maintain at all times liquid capital no less than the stipulated level under the FRR, and report to the SFC our liquidity positions on a monthly basis.

We identify, quantify, monitor and control our liquidity risk through the continual construction of an optimised liquidity risk management system to ensure that we are able to timely satisfy all liquidity requirements, meet our external payment obligations and achieve a balance between the effectiveness and safety of capital. In order to manage our liquidity risk exposure effectively, we have adopted the following measures:

- we check the balance of our bank accounts and monitor daily liquidity positions;

- we actively explore the possibilities to obtain funding from financial institutions other than our current sources;

- we prepare daily cash flow forecast that comprises funding forecast for trade settlements, daily operational cash flow, repayment of short-term money market loan, and incremental financing needs for our corporate finance and underwriting, margin financing and equity and fixed income investment businesses;

- we set aside liquidity reserve in accordance with market conditions and business needs, and keep a certain percentage of undrawn banking facilities, together with a cash balance, available to deal with unexpected situations;

- we make liquidity contingency plans to address liquidity crises, including drawdown of loans, liquidating marketable securities of margin clients to whom margin calls have been issued, and disposal of our proprietary investment portfolio;

- we monitor relevant ratios on a daily basis and perform stress tests to assess our funding positions under different stress scenarios as necessary; and

- we adjust our liquidity reserve according to our stress test results, and make funding allocations in consideration of our liquidity position and business needs.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, or external events. In order to manage our operational risk exposure effectively, we have adopted the following measures:

- we have established a transparent organisational structure with a proper decision-making mechanism, and set up comprehensive authorisation procedures, while unauthorised operations are strictly prohibited, and persons authorised at each level must exercise their power and conduct business activities only within the authorised scope;

- we have Responsible Officers responsible for overseeing our day-to-day operations, controlling and monitoring compliance issues and solving dealing problems;

- we have formulated operational policies and manuals in response to abrupt changes or fast-moving conditions for each business function to standardise our operational procedures and reduce human errors, and established surveillance systems to monitor the trading activities of our business units and staff on a real-time basis;

- we provide regular training and formulate contingency plans to increase the capability of our staff to manage operational risk in emergency situations, such as system breakdown or power failure;

- we conduct an annual rehearsal of our business continuity plan for business continuity management;

- we have physically segregated business functions that have conflicts of interest; and

- we devise data recovery plans and perform backup for all business data on physical tapes, and we have engaged an independent third party for IT security evaluation.

Compliance and Legal Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have adopted the following measures:

- we improve our internal policies according to changes in laws, regulations and industry standards, and continually update internal templates for legal documents;
- we undertake compliance management over various aspects of our operations and employee activities, and we have established an accountability system in respect of employees' violations of laws, regulations and internal policies;
- our Finance and Accounting Department computes daily liquid capital in accordance with the relevant FRR requirements on an ongoing basis, and we submit FRR returns to the SFC on a monthly basis;
- our Finance and Accounting Department monitors the daily reconciliation of client trust bank accounts and our bank accounts for funding and settlement purposes to ensure compliance with the Securities and Futures (Client Money) Rules, conducts reviews regularly and takes remedial actions as soon as we notice any discrepancy;
- we closely monitor and detect unusual and irregular trading activities through our surveillance system, and generate exceptional trade reports to our Legal and Compliance Department and other relevant department heads or Responsible Officers for further action;
- our Legal and Compliance Department closely monitors our licensing status and conditions, arranges for the renewal of licences, such as our money lender licence, before expiry and complies with the relevant notification requirements of applicable laws, rules, regulations and guidelines;
- we have implemented procedures and appointed a complaints officer under our Legal and Compliance Department for handling complaints received from clients in relation to our regulated activities;
- we control the circulation of sensitive information and access to such information by designated personnel through monitoring compliance and establishing dynamic Chinese walls and an information-tracing mechanism, and optimise the internal control system for anti-money laundering management and enhancing our "Know Your Clients" due diligence procedures;
- we have been inculcating a compliance culture and we conduct compliance training for employees and self-employed account executives to raise their compliance awareness;
- we perform regular compliance assessments; and
- we have established rules and procedures for legal document review, external counsel engagement and other legal aspects of our operations, and adopted proactive measures to mitigate legal risk whenever disputes and litigations arise.

Reputational Risk Management

Reputational risk is the risk of negative perception by stakeholders and the public relating to our operation, management, or other actions that we take, as well as external events relating to us. Our measures to manage our reputational risk primarily include: (i) monitoring reputational risk via various social media platforms and promptly reporting reputational risk matters to the Executive Committee; (ii) devising crisis management tactics and plans upon the occurrence of adverse publicity and adjusting the same on an ongoing basis; and (iii) conducting post-event review and evaluation of the performance of our reputational risk management.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES IN OUR PRINCIPAL BUSINESS LINES

We have implemented various risk management and internal control measures to manage the risks associated with our business activities.

Securities Brokerage and Margin Financing

Securities Brokerage

The main risks in our securities brokerage business are operational, compliance and credit risk. In response, we have formulated comprehensive internal rules and guidelines for our securities brokerage business to ensure compliance with relevant laws and regulations. We prohibit our employees from conducting unauthorised trading or other activities in violation of applicable laws and regulations.

We have established a standardised authorisation management system with differentiated levels of authorities according to the corresponding business risk with regard to matters such as credit limit approval and account opening of securities brokerage customers. In order to manage our risk exposure in our securities brokerage business effectively, we have adopted the following measures:

Account opening	We require our securities brokerage clients to complete our account opening procedures to verify the identity of the account owner and ultimate beneficial owner. Our account opening staff are required to check against the list of politically exposed persons and conduct litigation searches in Hong Kong before accepting a new client.
Risk disclosure	Our staff explain to our client the terms of the agreement and the risks involved in making investments and using our trading platforms before signing the client agreement.
Credit assessment	We assess the potential client's creditworthiness by reference to its financial condition, repayment ability and credit history with us (if any). In particular, we consider factors such as years of business relationship with us, investment goal and experience, credit history and: ● in the case of retail clients, salary, occupation and assets in possession; ● in the case of corporate clients, industry, share capital, after-tax profit of the preceding three years, third-party guarantor and ultimate beneficiary; and ● in the case of institutional clients, credit ratings, settlement methods, condition of substantial shareholders or parent companies. Where necessary, we perform anti-money laundering checks and conduct credit searches with external credit reporting agencies to obtain background information and credit history of our clients.
Credit policy	We may set a trading limit for cash account clients on a case-by-case basis to minimise our exposure between trade execution and settlement. We have established an approval hierarchy for different tiers of trading limit granted to clients and we consider a variety of factors such as the clients' credit history, scale of investment and financial position. For futures brokerage clients, we require them to make a deposit and close the position if such clients fail to replenish margin deposit.
Order-taking	Our staff responsible for handling clients' orders must be registered with the SFC as either a Responsible Officer or a Licensed Representative.

All client orders shall be received from and/or confirmed to clients using our internal telephone recording system or processed through our online trading platform. Our staff must follow our order-taking procedures to ensure that client orders are executed promptly and in accordance with our client's instructions. Trading records shall be reviewed after trading hours and recorded and backed up on a daily basis. Trading errors shall be promptly reported and rectified in accordance with our internal policy.

Transaction monitoring

We have formulated guidelines on risk control and forced liquidation for our securities brokerage business, and monitor daily the transactions of securities brokerage accounts.

Our surveillance system monitors client transactions on a regular basis and detects unusual or irregular trading activities. The system adopts pattern recognition for detection of trading activities that may be intended for market manipulation. For example, the system generates alerts where a client has placed significant buy and sell trades within a short time period or where a trader has placed large orders in terms of volume or converted value in a specific instrument. For post-trade monitoring, reports for unusual trading activities from various business units are generated for our Legal and Compliance Department and relevant Responsible Officers or department heads for further analysis and investigation.

Account executives

Our in-house and self-employed account executives are responsible for the regulatory compliance of the trading activities of the clients referred by them conducted through our trading platform. Any instances of non-compliance shall be reported as soon as possible. Our account executives are required to comply with our internal policies and any applicable laws and regulations, which include our order-taking procedures detailing the manner and channels of order-taking.

Business segregation

Our securities brokerage business is segregated from other businesses with conflicts of interest, such as research and investment and trading, while major functions, such as account-opening, management of funds, order-taking as well as clearing and settlement, are also clearly segregated. Our front offices are also segregated from the middle and back offices. Our funds and our clients' funds are deposited and managed separately.

Futures brokerage

We require our futures brokerage customers to contribute an initial margin before signing the futures contract and maintain at least 80% of this margin on an ongoing basis. Our initial margin primarily follows the calculation guidelines issued by the HKEX, with additional markups based on market conditions. We closely monitor the margin level of our clients' futures brokerage accounts, which reflect any gains or losses incurred over the span of the futures contracts, and we issue margin calls to clients whose account value drops below 80% of the initial margin. We will carry out forced liquidation if the futures brokerage account is not timely replenished after a margin call is issued.

Margin Financing

The primary risk embedded in our margin financing business is the credit risk resulting from a client's default in repaying the debt owed to us. We routinely monitor the asset quality of the margin accounts to identify risk signals in a timely manner. In order to manage our risk exposure in our margin financing business effectively, we have adopted the following measures:

Risk disclosure	After evaluating the client's risk tolerance, we explain to our client the terms of the agreement and the risks involved in applying for margin financing and the consequence of failing to meet our margin requirements before we sign the client agreement.
Credit assessment	In determining the credit limit of our margin financing client, we take into account various factors of the client as well as the quality and value of the collateral. See "— *Securities Brokerage — Credit assessment*".
Credit policy	We approve credit limit for each margin client on a case-by-case basis with close reference to our credit assessment results as well as the prevailing market conditions. Credit limit is the standby financing facility which could be granted to a client. We have in place an authorisation hierarchy for different tiers of credit limit granted to our clients. Furthermore, margin loan granted to a single client cannot be more than 25% of the total margin loan balance of all margin clients, unless approval from the Credit Committee is obtained. Additionally, we set the maximum amount of the margin loan granted to a single client approved by the Board annually as a general guideline.
Collateral requirement	For margin financing, we require our clients to provide us with collateral, generally in the form of equity securities listed on the Stock Exchange, sufficient to cover the loan amount when we grant the loan. We formulate a list of shares qualified as collateral for our margin financing business based on our risk appetite, and devise a corresponding discount ratio for each of them to calculate the margin value. We update quarterly such list, and we generally do not approve margin loans with shares outside the list as collateral.
Ongoing monitoring and forced liquidation	In general, we closely monitor the margin loans and may require additional collateral, taking into consideration factors such as the loan -to-value ratio, the loan-to-margin ratio, the customer's background, the interest rate of the loan and market conditions. Our securities back office system generates a daily margin report. The Risk Management Department will conduct more frequent reviews on the securities portfolio provided by our clients as collateral if the market value of such collateral is experiencing material fluctuation. When a customer's margin loan balance exceeds the credit limit granted or a customer's loan-to-margin ratio exceeds 100%, we will generate an alerter to help us monitor its status and decide whether any additional collateral is required. Amongst the customers with loan-to-margin ratio in excess of 100%, we will consider the factors above, in particular, the loan-to-value ratio in excess of 75% in making requests for additional collateral.

	We will generally carry out forced liquidation of the margin account of such client if such loan-to-value ratio exceeds 85%. Forced liquidation actions of the client's margin account may be suspended or postponed upon internal approval. We implement recourse mechanisms in the event of insufficient recovery from collateral after liquidation of the margin accounts, such as sending standard notices to customers to deposit the difference, engaging legal counsel to commence litigation, and appointing licensed debt collection companies.
Stress tests	We perform stress tests on a regular basis, so as to timely identify any problem in our clients' accounts and to assess our credit risk exposure.
IPO financing	When deciding whether to offer financing for IPO subscription, we take into consideration the quality of such shares, market sentiment, and investors' reaction. Should we decide to finance the subscriptions of IPOs, we will determine the funding scale with reference to our liquidity positions, as well as the interest rate, minimum loan amount and loan-to-value ratio of the IPO loans, subject to internal approval. Clients that apply for IPO financing services are required to maintain sufficient cash in their accounts, or provide sufficient collateral subject to our permission, on the day that the allotment of IPO subscription is made, the failure of which may lead to forced liquidation of their respective accounts.

Corporate Finance and Underwriting

We have established a comprehensive internal control system to improve continually the business processes of our corporate finance and underwriting business. The major risks involved in our corporate finance and underwriting business are market, credit, operational, compliance and reputational risks due to mismanagement, unclear responsibilities, insufficient due diligence and other causes. In order to manage our risk exposure in our corporate finance and underwriting business effectively, we have adopted the following measures:

Initial review and preliminary due diligence	We have established and implemented initial review procedures for proposed corporate finance and underwriting projects. Project teams may carry out preliminary due diligence from commercial, legal and financial aspects, among other things, and prepare an internal memorandum for the review of, and approval by, the Deal Screening Committee.
Conflicts of interest and independence check	For corporate finance and underwriting projects, we examine conflicts of interest prior to the submission of the listing application or investing in any securities or the project. Typical conflicts of interests that we look for include those between: (i) the roles of our ongoing projects and proposed projects; (ii) our current clients and prospective clients; and (iii) services that we provide currently and those we plan to offer. For corporate finance and underwriting projects in which we act as a sponsor, financial advisory or placement agent, we perform independence checks, together with our associates and connected persons, among others, for purposes of complying with the independence requirements under the Listing Rules.

Project implementation	Upon approval of the project, the project team determines the scope of the due diligence in accordance with the client's business nature, industry and applicable regulatory requirements. The project team then conducts thorough due diligence and reviews due diligence materials, and reports to the Head of the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department any material risk factors involved in the project, and, depending on the materiality of the risks, to the Executive Committee. In particular, each IPO sponsorship project has to undergo at least two instances of internal review before the Sponsor Due Diligence Committee, which is convened shortly after the substantial completion of the due diligence plan.
Issuance and underwriting	We strictly control the underwriting and compliance risks associated with equity and debt issuance through scrutinising transactional documents, including the offering circulars, notices, announcements and other documents required to be submitted to the relevant regulatory authorities. All legal documents entered by us must be reviewed by both internal and external legal counsel.

For details on our additional risk management and internal control measures in relation to the SFC reprimand in March 2017, see "*Business — Legal and Regulatory Matters — Regulatory Non-compliance and Disciplinary Actions — Measures on Internal Control and Risk Management*".

Investment and Loans

The major risks we face in our investment and loans business are credit, market and legal and compliance risks. In order to manage our risk exposure in our investment and loans business effectively, we have adopted the following measures:

- our Board and Risk Management Committee make annual capital allocation plans regarding our investment scale; and
- we determine risk appetite thresholds as well as adjust the composition of our investment portfolio and trading strategies based on prevailing market conditions.

In particular, for our equity and fixed income investment business, we have adopted the following measures:

- we formulate investment policies and guidelines, make major investment decisions and set investment constraints in investment activities through our Investment Committee;
- we establish selection pools for both equity and fixed income securities in which we are interested in investing and diversify our investments and limit the size of our investments in relation to any single product, client or type of investment;
- we establish mechanisms that set a 20% loss level limit to stop loss on each individual security, and we issue risk warnings to business units for reference when the loss level reaches 16%;
- we monitor our investments on a timely basis, including primarily our trading positions, unrealised profit or loss, and liquidity conditions;
- we generate daily reports by our risk management department on the status of our investment portfolio, monitoring primarily the price, market value and profit or loss status; we issue warnings if there are abnormal issues such as steep fluctuation in prices or other significant issues;

- we continually monitor on a monthly basis our equity and fixed income investment portfolio, primarily focusing on: (i) news and operational data of the relevant issuers; (ii) changes in key indicators; (iii) market events and condition; (iv) subsequent trading strategies; (v) stress test results; (vi) general information of our investment portfolio; and (vii) key risk management indicators; and

- we generate quarterly reports on our debt investments and overall equity and fixed income investment, respectively. Our quarterly report on debt investments primarily focuses on: (i) industry update; (ii) rating changes; (iii) update on the relevant issuers; and (iv) update on the financial ratios of the relevant issuers. Our quarterly report on overall equity and fixed income investment substantially covers the major factors monitored monthly as mentioned above, and additionally includes cost, profit or loss status and post-investment update.

When we make our investment decisions, we primarily assess, among other things, the business, financial condition, liquidity and prospects of the issuers, the terms of the fixed income securities (including the credit enhancement measures) and credit ratings (if any). Subject to our Investment Committee's approval, we may invest in certain unrated fixed income investments. With respect to our unrated fixed income investments, we conduct ongoing monitoring on such investments in accordance with our risk management policies and measures for our equity and fixed income investment portfolio.

For our structured finance and loans and direct equity investment businesses, we have adopted the following measures:

- we select our investment or loans projects and conduct our structured finance and loans and direct equity investment businesses, subject to the annual capital allocated to such businesses and the risk appetite thresholds;

- the relevant department carries out due diligence on the target company, including conducting a company search at the registrar as well as litigation and bankruptcy searches, and also conducts due diligence on the target company's affiliates, guarantors, substantial shareholders and senior management, as applicable;

- the relevant business department prepares an internal memorandum for internal review and assessment, which includes primarily an executive summary of the new projects, background, descriptions of the target companies (including, among other things, shareholders, senior management, corporate structure, business, financial conditions, industry analysis, market position, prospects), deal structure, use of funds, transaction terms, investment highlights, risk analysis, return analysis, exit plans, due diligence report and follow up actions;

- we conduct preliminary review and official review of the new projects. Only those projects selected out of the preliminary review will be submitted for official review;

- during the preliminary review, our Risk Management Department will review the internal memorandum from a risk management perspective, focusing on whether all the key aspects of an investment or loan project have been properly addressed and whether the information so provided in the internal memorandum is reasonable to address the key risks involved; our Legal and Compliance Department will review the internal memorandum from a legal compliance perspective, focusing on the conflict of interests check, proposed legal terms of the transaction and overall legal compliance. The two departments may request further information from the relevant business department;

- during the official review, subject to the delegated authorities, the Executive Committee (if the amount of the proposed investment or loan is no more than HK$50 million, being the currently effective approval threshold) or the Investment Committee (if the amount of the proposed investment or loan exceeds HK$50 million, being the currently effective approval threshold) will further review the internal memorandum, which has been reviewed and agreed by our Risk Management Department and Legal and Compliance Department, and convene a review meeting with the relevant business department in charge of the new project. At the review meeting, the relevant business department will

introduce the new projects and our Executive Committee or Investment Committee (as the case may be) will raise questions and recommendations, leveraging the committee members' respective experiences and expertise, in order to make well-considered and comprehensive investment decisions;

- if any post-approval material changes occur to the investment target or its board of directors, transactional amount, guarantor, collateral, valuation, legality of relevant legal documents or other factors that affect our interests, as applicable, we need to submit supplemental reports explaining the changes and their effects to the Executive Committee or the Investment Committee for review;

- we continually monitor our ongoing projects from off-site and obtain from time to time information about any changes in the target company's composition of senior management, industry trends, business operations and financial condition, especially cash flow status, and we verify such information with the relevant company via phone or email;

- we generally conduct on-site investigations before the final drawdown and we may increase the frequency of such investigations as the project becomes riskier; and

- we communicate any material risk events to the heads of the relevant departments, and submit examination reports to the Executive Committee and the Risk Management Committee for advice on further risk management actions and start collection or exiting processes.

During the Track Record Period, the financial performance of our investment and loans business was materially and adversely affected by two loans extended in 2011 and 2014, respectively. For details, see "*Financial Information — Principal Components of Consolidated Income Statements and Results of Operations — Total Expenses — Impairment losses*". We consider the two separate incidents as one-off in nature. In response to the two incidents, we have reviewed our internal control measures and implemented further improvement measures. In particular:

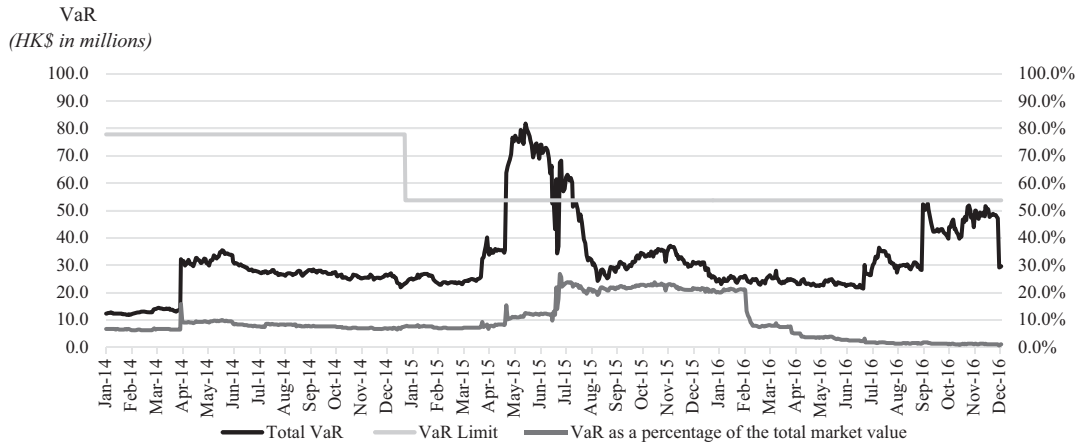
- in response to the impairment losses arising from the personal loan granted in 2011, we have clearly segregated our investment and loans business function from other businesses with a designated investment and loans team being in charge of all investments made with our own funds. Such segregation allows our investment and loans function to focus on: (i) making independent investment decisions and securing investment returns; and (ii) monitoring our investment and loans portfolio in a continuous and close manner, which has increased the risk management efficiency for our investment and loans business; and

- in response to the impairment losses arising from the syndicated loan granted in 2014, we have: (i) designated the member of the Executive Committee responsible for overseeing the risk management of the Group as the chairman of the Investment Committee; (ii) appointed staff from various departments experienced in the financial industry to serve as expert members of the Investment Committee, in order to review potential investment or loan projects from different aspects and make well-considered and comprehensive investment decisions; and (iii) adopted an accountability system for non-performing projects and take punitive actions such as decreasing the discretionary compensations to, initiating lawsuits against, and publicly reprimanding, the responsible persons.

We determine our investment scale, and set our risk appetite and risk tolerance indicators, VaR limits and trading limits, annually according to our business needs, capital allocation, risk management performance and market movements. The following table sets forth our VaR limits, trading limits and stop-loss limits of our investment portfolio for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
VaR limits	78.0	54.0	54.0
Trading limits	950.0	1,400.0	4,710
Stop-loss limits	140.0	140.0	140.0

The following chart sets forth our total VaR (at a two weeks' confidence interval of 99%) for our investment portfolio in monetary terms and as percentages of the total market value of the underlying assets over the Track Record Period:



From May to August 2015, our VaR remained high above the set VaR limit, which was mainly due to the large increase in investment at the beginning of May 2015 as compared with the investment size set in early 2015 for a strategic change of our investment portfolio, resulting in a corresponding increase in the VaR of the stock portfolio. The Company held an internal discussion on the VaR limit excess at the beginning of May 2015. Our VaR has been gradually adjusted according to market conditions to meet the set VaR limit, as a result of which our VaR has reduced to the current VaR limit.

Asset Management and Advisory

The primary risks we face in our asset management and advisory business are market, liquidity, operational and compliance risks. We strive to maximise profitability while cautiously carrying out our asset management and advisory business. We have implemented a prudent risk management mechanism that encompasses detailed pre-investment analysis of risks and returns, dynamic monitoring of investment portfolio and the implementation of various risk indicators. In particular, in order to manage our risk exposure in our asset management and advisory business effectively, we have adopted the following measures:

- for mutual funds, we limit the percentage of investment in a particular security to 10% and set limits on the proportion of cash, among other things, to manage risks;

- our business units report monthly to our senior management and the Risk Management Department reports quarterly to the Investment Committee on the performance analysis of each asset portfolio and the changes made to our investments;

- for investments in equity securities, we have established risk warning mechanisms that set a 20% loss level limit to stop-loss in relation to any single security or single asset portfolio and set authorised limits on investment in any single security in an asset portfolio;

- for investments in debt securities, our asset management department pays close attention to the credit ratings and transaction records of, and regulatory changes, financial performance and other market information concerning, our counterparties in our daily monitoring, and provides semi-annual reports regarding our counterparties' performance to the Legal and Compliance Department and the Risk Management Department for review;

- we subject certain customised products of our specialised asset management business, particularly those with guaranteed returned features, to the more stringent examination process of our Investment Committee. We principally invest in high quality fixed income securities with matching maturities to the relevant asset management schemes, seeking stable return. For details of our specialised asset

management scheme with a guaranteed returned feature, see note 47 of Section II of the Accountant's Report in Appendix I to this prospectus;

- we strictly require our asset management and advisory business to be segregated from our other businesses and we monitor our investments and asset managers on a real-time basis for any irregular trading activities, in order to prevent insider trading and avoid conflicts of interest;

- we review and update periodically our investment and authorisation procedures for our asset management and advisory business, and perform stress tests and review our calculation model at least annually to ensure its accuracy and completeness;

- we assess and consider a potential client's financial condition, investment experience, investment preferences, risk awareness and risk tolerance level before recommending any products or services suitable for the client's risk tolerance level, and we inform clients of the risks involved in subscribing the relevant investment products; and

- our clients' funds are deposited and managed separately from our own funds.

CONFLICTS OF INTEREST

Being a financial services firm with a diversified range of businesses, we recognise the importance of managing conflicts of interest in protecting the interests of our clients and us. Conflicts of interest may arise between: (i) our various business units; (ii) our clients and us; (iii) our various clients; (iv) our employees and us; or (v) our clients and our employees.

We have put in place policies prohibiting staff from engaging in any transaction in which they have a material interest that gives rise to a conflict of interest, unless such conflict of interest has been properly addressed. Additionally, we have adopted a series of measures and methods to manage conflicts of interest based on the principles of prudent management, prioritising client interests and treating clients fairly. We have established the Chinese wall policy to avoid conflicts of interest. If it becomes difficult to avoid conflicts of interest even with Chinese walls, such conflicts of interest must be disclosed to clients. If such conflicts of interest cannot be managed effectively through disclosure, we may adopt measures such as imposing restrictions on business activities.

COMPLIANCE WITH FATCA

To ensure that we comply with the FATCA requirements, we have adopted the following measures:

- registering with the U.S. Internal Revenue Services;

- enhancing our current account opening procedures to ensure compliance with FATCA;

- conducting reviews of our existing client accounts to identify any accounts held by U.S. taxpayers; and

- providing training and guidance to our employees with respect to the requirements under FATCA.

The Company registered with the U.S. Internal Revenue Services as a participating foreign financial institution (PFFI) for FATCA purposes in 2015 and made the reporting accordingly for 2015 and 2016, respectively.

STAFF DEALING RULES

Our employees must be aware of and comply with the relevant staff dealing provisions in our compliance manual and applicable laws and regulations, and if they engage in their own securities trading, they are generally required to open a securities account with us. Our Legal and Compliance Department maintains a list of shares involved in publicly announced transactions for which we are required to abide by the relevant applicable selling

restrictions. Our employees must not trade stocks on such restrictive list and shall report their personal investments to our Legal and Compliance Department as required. For our employees in the corporate finance and underwriting business particularly, they must also not trade stocks on the watch list of shares in non-public transactions with which we are involved or anticipate becoming involved. For unlisted shares and convertible debts, employees shall report their investment intentions prior to executing the transactions and such investments can only proceed after a negative determination on any actual or potential conflicts of interest or inter-related interests with us that cannot be mitigated.

Employees who have invested in securities prior to commencement of employment or those who open accounts with other financial institutions for securities trading shall submit the relevant information on such investments to us on a monthly basis and inform our Legal and Compliance Department of any change in their account status immediately. If an employee's pre-existing investments or current investments at accounts with other financial institutions are found to have actual or potential conflicts of interest or interrelated interests with our business, such employee shall submit an exiting plan for the investments at issue, and refrain from the relevant business activities until the completion of such plan. Employees of our asset management and advisory and corporate finance and underwriting businesses, as well as our research team, and certain other specified employees are subject to more stringent rules of dealing.

CHINESE WALL

A Chinese wall is a barrier to protect sensitive information from being transmitted between, or being used by, businesses with conflicts of interest, and includes a series of measures to protect the occurrence of conflicts of interest between us and clients as well as among different clients and businesses.

As a securities firm with a diversified range of businesses and products, we will inevitably face various types of conflict of interest. In order to protect the interests of our clients and to maintain our reputation, we have established Chinese walls in different business lines to prevent and minimise potential conflicts of interest by controlling the flow of sensitive information and establishing rules and policies on information segregation. We have categorised our departments into public side and private side, and recognised certain senior management and committee members as "above the wall". In cases where it is necessary for our employees to "cross over the wall", such activity shall be strictly monitored, tracked and recorded.

SEGREGATION OF DUTIES

To minimise the possibility of collusion and improper trading, duties and functions within our various business units are assigned to different teams of employees. No employee may work concurrently for two or more departments with conflicts of interest, while employees in the business units are not allowed to work concurrently in subsidiaries with conflicts of interest.

ANTI-MONEY LAUNDERING

We have incorporated anti-money laundering procedures into our internal control system and daily operation in strict compliance with the relevant Hong Kong and PRC laws and regulations on anti-money laundering and counter-terrorist financing. We comply with the "Know Your Client" principles and undertake steps for client identification and continual verification of the same. In addition, we carry out due diligence investigations and other risk control measures on clients and require due diligence materials before transactions based on their risk classifications, and monitor clients' transactions for any unusual activities on an ongoing basis. We have properly maintained the identity information and transaction records of our clients. We also hold annual anti-money laundering training for employees to enhance their understanding.

We have never engaged in or knowingly assisted with any money laundering activities. During the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalties from regulatory authorities for violations of laws and regulations related to anti-money laundering. For risks associated with money laundering activities, see "*Risk Factors — Risks Relating to Our Business and Industry — We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis*".

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report", together with the accompanying notes included elsewhere in this prospectus. Our consolidated financial statements included in the Accountant's Report have been prepared in accordance with HKFRSs. Historical results are not indicative of future performance.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are a well-established and the only integrated platform for securities and related financial services of BOCOM in Hong Kong, one of the State-Owned Joint Stock Commercial Banks. We primarily provide the following financial services to retail, institutional and corporate clients:

- *Securities Brokerage and Margin Financing:* We engage in trading of stocks, funds, bonds and futures on behalf of our clients and earn commission and fee income. We also engage in margin financing and earn interest income.

- *Corporate Finance and Underwriting:* We provide IPO sponsorship and financial advisory, underwriting (equity and debt) and placing services. In return, we principally earn sponsor fees, financial advisory fees as well as underwriting and placing commission.

- *Investment and Loans:* We invest in equity and fixed income securities and other financial products for our own account to achieve investment income. We are also engaged in structured finance and loans business, including pre-IPO investment financing, financing relating to offshore M&As, privatisation, management buyout and other investment banking related businesses as well as provision of loans, which generates interest income. In addition, we invest in equity of private companies in return of dividend income and gains on disposal at exit.

- *Asset Management and Advisory:* We provide asset management and advisory services, principally including mutual fund management, specialised asset management and private equity fund management, and earn management and performance fees. In addition, we provide investment advisory services in the PRC, and generate investment advisory fees.

In 2014, 2015 and 2016, our total revenue and other income was HK$781.9 million, HK$1,140.6 million and HK$1,053.0 million, respectively. For the same periods, our profit was HK$23.7 million, HK$350.8 million and HK$351.0 million, respectively, and our net margin was 3.0%, 30.8% and 33.3%, respectively. As at 31 December 2014, 2015 and 2016, we had total assets of HK$6,373.3 million, HK$8,796.3 million and HK$10,179.3 million, respectively, and total equity of HK$3,302.1 million, HK$3,644.9 million and HK$3,986.1 million, respectively.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with HKFRSs and include the applicable disclosure requirements of the Listing Rules. We prepared our financial statements under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value. The preparation of financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise its judgement in the process of applying our accounting policies.

The financial information incorporates our financial statements and the financial statements of entities that we control (our subsidiaries). We control an entity when we are exposed to, or have rights to, variable returns from our involvement with an entity and have the ability to affect those returns through our power over such entity. When necessary, amounts reported by our subsidiaries have been adjusted to conform to our accounting policies. Intra-group transactions, balances and unrealised gains on transactions between members of the Group are eliminated. Non-controlling interests in our subsidiaries are presented separately from our equity therein.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Economic and Market Conditions

Our financial performance is highly dependent on the economic environment in which our business operates, principally in Hong Kong and the PRC. During the Track Record Period, a substantial portion of our business was conducted in Hong Kong. Our business, results of operations and prospects are susceptible to any substantial development or change in government policies, as well as economic, social, political and legal development in Hong Kong. Meanwhile, our business is closely related to the PRC market. Our business is exposed to factors such as market volatility, fluctuations in trading volume, liquidity changes and the investor confidence of the securities industry in the PRC. As the PRC capital markets are still evolving, market conditions may change rapidly.

A favourable economic environment is generally characterised by high GDP growth, liquid and efficient capital markets, reasonable inflation, high investor confidence, stable geopolitical conditions and strong business earnings.

Major unfavourable or uncertain economic and market conditions can be characterised by:

- declines in economic growth, securities trading volume or investor confidence;
- a decrease in the availability of or an increase in the cost of financing and capital; and
- significant increases in inflation, interest rate or exchange rate volatility.

In addition, the Hong Kong market may be volatile. The market value of the securities traded in the Stock Exchange may decrease as a result of adverse development of the financial or economic conditions of Hong Kong, the PRC or overseas, such as the following:

- interest rate hikes in the United States and a stronger U.S. dollar;
- concerns about the PRC economic slowdown and Renminbi volatility as well as dimmed hopes for government stimulus measures; and
- political and economic uncertainties in the United States and Europe and repercussions on global financial markets, such as the effect of the "Brexit" vote in 2016.

Our businesses and profitability may become adversely affected by market conditions primarily in the following ways:

- unfavourable economic and market conditions can adversely affect investor sentiment and trading and investment activities, resulting in reduced brokerage commission and fee income;

- unfavourable economic conditions and other adverse geopolitical conditions may have a negative impact on investor confidence and corporate finance and underwriting activities, resulting in significant declines in the size and number of fundraising transactions, which could have an adverse effect on the revenue and profitability of our corporate finance and underwriting business;

- market volatility and adverse economic conditions may directly and adversely affect the performance of our equity and fixed income investment; and

- market volatility and adverse economic conditions may reduce our AUM and affect the performance of the assets or funds we manage, which, in turn, could adversely affect our management fees or performance fees.

Business Lines and Product Mix

We offer a wide range of products and services to our clients. Our business lines and products and services have different profit margins and future growth prospects. As a result, any material changes in our product mix, whether due to changes in our business strategies, market conditions, customer demand or other reasons, may affect our financial condition and results of operations.

Our historical financial results were significantly affected by the segment revenue contribution and profit margin of our margin financing business and investment and loans business. In 2014, 2015 and 2016, our securities brokerage and margin financing business contributed 79.2%, 64.7% and 46.4% of our total revenue and other income, respectively, while our investment and loans business contributed 6.0%, 0.9% and 19.4% of our total revenue and other income, respectively. In particular, in 2014, we made full provision of HK$271.0 million for a bridge loan of US$35.0 million under our investment and loans business, which was a one-off event that significantly impacted our results of the same year.

We seek to optimise our product mix by increasing the revenue contribution from our business lines with high profitability and significant growth potential. As a result, our future results of operations and financial condition could be significantly affected by our ability to design, develop and launch new products and services to market, to transact business with new clients and counterparties, to manage new asset classes and to participate in new markets.

Competition

The Hong Kong securities industry is highly competitive and we face intense competition in all aspects of our business. We compete principally with other full-service securities firms in Hong Kong, some of which offer a broader range of services, have greater financial resources or a broader client base than we do. In addition, we face increasing competition from other financial institutions. Meanwhile, we also face competition from PRC fund management and asset management companies for our asset management and advisory business conducted in the PRC.

We believe that the principal factors affecting competition involve pricing, products and services, transaction execution, and experience and expertise. Increased competition or an adverse change in our competitive position could lead to a reduction in market share which in turn could reduce our revenue and profit. Competition can also raise our costs of hiring and retaining the employees we need to operate our business effectively.

Regulatory Environment

Our results of operations, financial condition and prospects are subject to regulatory developments in Hong Kong and the PRC and economic measures undertaken by the relevant authorities. In particular, we believe that our ability to expand our business and broaden the scope of our product and service offerings has been, and will continue to be, materially affected by changes in the laws, regulations and policies governing the Hong Kong and PRC securities and asset management industries. Our cost of compliance may increase and our business activities may be restricted as a result of these changes in laws, regulations and policies.

For our business in Hong Kong, the relevant regulatory regime includes, but is not limited to, the SFO, the Companies Ordinance, the FRR, the Listing Rules, the trading rules of the Stock Exchange and the Takeovers Code, to which we are subject. For example, pursuant to the FRR, a licensed corporation shall maintain liquid capital which is not less than the required level at all times. As such, we must maintain a high level of liquidity at all times to comply with the FRR, and failure to do so may cause the SFC to take actions against us which, in turn, could adversely affect our operations and performance. Meanwhile, for our business in the PRC, the relevant governmental authorities, such as the CSRC and AMAC, have been implementing regulations and guidance to, among others, regulate the disclosure responsibilities and fundraising activities of the managers of private investment funds since 2014. We expect these regulations as well as governmental actions will continue to affect the securities and assets management industries and our business, financial condition and results of operations.

Interest Rates

Our business and results of operations are also affected by changes in interest rates primarily in Hong Kong, the U.S. and the PRC. The changes in interest rates affect the value of our financial assets. An increase in interest rates could cause a decline in the fair value of our fixed income securities investments and adversely affect our average investment yield. A rise in interest rates could lower the ability or willingness of our corporate clients to raise funds from the debt markets, which could lower the revenue generated from our debt underwriting business. An increase in interest rates would increase the amount of interest income we would earn on interest earning assets and the amount of interest expenses we need to pay on interest-bearing liabilities. Our interest earning assets consist primarily of margin loans to clients and bank deposits. We may incur financing costs and interest expenses in our operation, which are linked to the prevailing market interest rates. During periods of rising interest rates, our financing costs and interest expenses would generally increase. If the increase in such amounts is higher than the increase in the amount of interest income we earn, our business and results of operations may be adversely affected.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that are significant to the preparation of our financial statements in accordance with HKFRSs. The Accountant's Report in Appendix I to this prospectus sets forth these significant accounting policies in note 2 of Section II, which are important for you to understand our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgements that are discussed in note 4 of Section II of the Accountant's Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates, assumptions and judgements. Our estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In addition, we make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the respective actual results. See note 2 and note 4 of Section II of the Accountant's Report in Appendix I to this prospectus for details.

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS AND RESULTS OF OPERATIONS

The following table summarises our results of operations for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Revenue			
— Commission and fee income	343.5	690.7	486.8
— Interest income	370.8	393.0	366.6
— Proprietary trading income	39.6	9.9	169.9
Other income	28.0	47.0	29.7
Total revenue and other income	**781.9**	**1,140.6**	**1,053.0**
Commission and brokerage expenses	(90.3)	(155.0)	(59.9)
Finance costs	(52.1)	(70.1)	(99.7)
Staff costs	(157.2)	(287.9)	(243.2)
Depreciation	(8.7)	(10.2)	(10.3)
Operating lease charges	(45.5)	(51.5)	(52.6)
Other operating expenses	(96.5)	(123.8)	(147.1)
Impairment losses	(276.6)	(24.4)	(46.6)
Total expenses	**(726.9)**	**(722.9)**	**(659.4)**
Operating profit	**55.0**	**417.7**	**393.6**
Share of results of associates	6.6	10.4	9.9
Gain on disposal of subsidiaries	—	5.1	—
Gain on disposal of a joint venture	7.7	—	—
Profit before taxation	**69.3**	**433.2**	**403.5**
Income tax expense	(45.6)	(82.4)	(52.5)
Profit for the year	**23.7**[(1)]	**350.8**	**351.0**

Note:

(1) In 2014, we made full provision of HK$271.0 million for a bridge loan. Without taking into account such provision, our profit in 2014 would have been HK$294.7 million. See "*— Total Expenses — Impairment losses — Comparisons between 2015 and 2014*".

The following discussion introduces certain principal components of the consolidated income statements and compares the major components of our operating results in 2014, 2015 and 2016.

Revenue and Other Income

Our revenue and other income primarily consists of commission and fee income, interest income and proprietary trading income. The following table summarises our revenue and other income for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Revenue			
— Commission and fee income	343.5	690.7	486.8
— Interest income	370.8	393.0	366.6
— Proprietary trading income	39.6	9.9	169.9
Other income	28.0	47.0	29.7
Total revenue and other income	**781.9**	**1,140.6**	**1,053.0**

Comparisons between 2016 and 2015

Our total revenue and other income decreased by 7.7% to HK$1,053.0 million in 2016 from HK$1,140.6 million in 2015, principally due to a decrease in our commission and fee income and interest income as a result of the contraction of our securities brokerage and margin financing business, which was affected by the decline in stock market condition in Hong Kong in 2016 compared to 2015.

Comparisons between 2015 and 2014

Our total revenue and other income increased by 45.9% to HK$1,140.6 million in 2015 from HK$781.9 million in 2014. This was principally due to the revenue increases in all of our principal business segments other than investment and loans business.

Commission and fee income

Our commission and fee income mainly consists of the income sources from the following activities: (i) securities brokerage; (ii) IPO sponsorship and financial advisory; (iii) underwriting (equity and debt) and placing; and (iv) asset management and advisory.

We generate commission and fee income on securities brokerage by trading stocks, bonds, futures, options and other tradable securities on behalf of our brokerage clients. We generate sponsor fees, underwriting and placing commission and advisory fees income in our corporate finance and underwriting business by providing IPO sponsorship, underwriting (equity and debt) and placing as well as financial advisory services. We also generate asset management fees (including performance fees) and investment advisory fees in our asset management and advisory business by managing our customers' assets and investment portfolios and providing investment advisory services. The following table summarises our commission and fee income for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Brokerage commission	237.7	325.8	140.8
Commission and fees from corporate finance and underwriting business	96.0	330.2	216.5
Asset management fee and investment advisory fee	9.8	34.7	129.5
Total	**343.5**	**690.7**	**486.8**

Comparisons between 2016 and 2015

Our commission and fee income decreased by 29.5% to HK$486.8 million in 2016 from HK$690.7 million in 2015. This was principally as a result of (i) a decrease in brokerage commission due to a decrease of our securities brokerage trading value, and (ii) a decrease in commission and fees from corporate finance and underwriting business due to a less active stock market in Hong Kong and fewer equity offerings we sponsored and placed in 2016, which was partially offset by an increase in advisory and management fee due to an increase in the AUM and investment advisory services.

The commission and fee income from our securities brokerage business decreased by 56.8% to HK$140.8 million in 2016 from HK$325.8 million in 2015, due primarily to the contraction of our securities brokerage business as a result of the slowdown of stock market activity in Hong Kong in 2016 compared to 2015. Our securities brokerage trading value decreased by 50.5% to HK$95.9 billion in 2016 from HK$193.9 billion in 2015. Our average securities brokerage commission rate decreased to 13.1bps in 2016 from 15.1bps in 2015 as a result of the decrease of the trading value of active retail clients, who generally have a higher commission rate.

The commission and fee income from our corporate finance and underwriting business decreased by 34.4% to HK$216.5 million in 2016 from HK$330.2 million in 2015, due primarily to less favourable market conditions in the Hong Kong stock market. In 2016, we sponsored two Hong Kong IPOs with an aggregate offering size of HK$795.1 million, compared to five IPOs with an aggregate offering size of HK$11,964.0 million that we sponsored in 2015. We generally have more leverage in securing a larger proportion of underwriting commission and fee in the equity offerings where we have a sponsor role. The revenue decrease due to the less active stock market in 2016 was partially offset by the revenue increase from our debt underwriting transactions. In 2016, we underwrote 20 debt offerings with an aggregate offering size of HK$2,093.4 million, compared to eight debt offerings with an aggregate offering size of HK$1,585.7 million in 2015.

The commission and fee income from our asset management and advisory business increased significantly to HK$129.5 million in 2016 from HK$34.7 million in 2015, due primarily to (i) an increase in the AUM of our asset management and advisory business to HK$13,843.3 million as at 31 December 2016 from HK$3,968.4 million as at 31 December 2015 as a result of the launch of a new private equity fund and the increase in AUM from our existing clients in 2016, and (ii) an increase in the investment advisory fee to HK$70.4 million in 2016 from HK$18.8 million in 2015, as a result of our more established investment advisory business and our increased client development ability.

Comparisons between 2015 and 2014

Our commission and fee income increased by 101.1% to HK$690.7 million in 2015 from HK$343.5 million in 2014. This was principally as a result of substantial increases of revenue in our securities brokerage, corporate finance and underwriting and asset management and advisory businesses.

The commission and fee income from our securities brokerage business increased significantly by 37.1% to HK$325.8 million in 2015 from HK$237.7 million in 2014, due primarily to our increased brokerage trading value resulting from (i) a surge in the average daily trading value of the Hong Kong stock market and (ii) an increase in our market share due to our ability to retain and attract clients. Our securities brokerage trading value increased by 31.7% to HK$193.9 billion in 2015 from HK$147.2 billion in 2014. Our average securities brokerage commission rate increased to 15.1bps in 2015 from 13.5bps in 2014 as a result of the increase of the trading volume of our active retail clients, who generally have a higher commission rate.

The commission and fee income from our corporate finance and underwriting business increased significantly to HK$330.2 million in 2015 from HK$96.0 million in 2014, due primarily to (i) an active trading market in Hong Kong in 2015 with an increased average daily trading value compared to 2014, and (ii) an increase in the number of the equity offerings that we sponsored for which we have more leverage in securing a larger portion of underwriting commission and fees. In 2015, we sponsored five equity offerings with an aggregate offering size of HK$11,964.0 million, compared to two equity offerings with an aggregate offering size of HK$1,062.5 million in 2014. In addition, we underwrote and placed 17 equity offerings with an aggregate offering size of HK$89,777.3 million in 2015, compared to 11 equity offerings with an aggregate offering size of HK$27,237.6 million in 2014.

The commission and fee income from our asset management and advisory business increased significantly to HK$34.7 million in 2015 from HK$9.8 million in 2014 due primarily to (i) a targeted asset management scheme which we launched in the PRC at the end of 2014 and started to receive management fee therefrom since April 2015, and (ii) an increase in our investment advisory fee to HK$18.8 million in 2015 from HK$4.4 million in 2014 as we attracted more clients.

Interest income

We generate interest income primarily from our margin financing business. We also generate interest income from loans and advances to our clients under our investment and loans business. The following table summarises our interest income for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Interest income from margin financing business	369.3	393.0	331.9
Interest income from loans and advances	1.5	—	34.7
Total	**370.8**	**393.0**	**366.6**

Comparisons between 2016 and 2015

Our interest income decreased by 6.7% to HK$366.6 million in 2016 from HK$393.0 million in 2015. This was principally as a result of a decrease in our interest income from our margin financing business.

The interest income from our margin financing business decreased by 15.5% to HK$331.9 million in 2016 from HK$393.0 million in 2015, primarily due to our proactive business decision to adjust our margin financing business throughout the year taking into consideration the then market conditions and customer creditability. The daily average balance of our margin loans decreased to HK$4,734.3 million in 2016 from HK$5,166.1 million in 2015.

We generated interest income from our loans and advances in our investment and loans business in 2016, which amounted to HK$34.7 million. Such income was attributable to (i) the short-term financing we provided to our asset management and advisory customers as part of our value-added services in 2016; and (ii) the interest income generated from a financing arrangement between our ultimate controlling shareholder and us in 2016. As at the Latest Practicable Date, such financing arrangement between the ultimate controlling shareholder and us has been terminated.

Comparisons between 2015 and 2014

Our interest income increased by 6.0% to HK$393.0 million in 2015 from HK$370.8 million in 2014. This was principally as a result of an increase in our interest income from margin financing business.

The interest income from our margin financing business increased by 6.4% to HK$393.0 million in 2015 from HK$369.3 million in 2014, which was in line with a more actively trading Hong Kong securities market and the growth of the market demand for margin financing in 2015. The daily average balance of our margin loans increased to HK$5,166.1 million in 2015 from HK$4,753.6 million in 2014.

We did not generate interest income from our loans and advances in our investment and loans business in 2015, as we did not receive any interest income from our then existing loan, and did not offer any new loan in 2015.

Proprietary trading income

Our proprietary trading income includes (i) unrealised gain/(loss) on financial assets at fair value through profit or loss, (ii) realised gain/(loss) on financial assets at fair value through profit or loss, (iii) realised gain/(loss) on available-for-sale investments, (iv) realised gain on held-to-maturity investments, (v) fair value changes from financial liabilities at fair value through profit or loss, (vi) dividend income, and (vii) bond interest income.

Our financial assets at fair value through profit or loss refer to the following categories of assets:

- stocks, funds and fixed income securities held for trading in our investment and loans business;

- derivative products for hedging purposes held by the funds that we managed and were consolidated in our financial statements; and

- certain equity securities designated at fair value through profit or loss.

Our proprietary trading income from financial assets at fair value through profit or loss mainly consists of (i) net realised gains or losses from disposal of these financial assets, (ii) changes in fair value of these financial assets, and (iii) dividends and interest income from these financial assets.

Our available-for-sale financial assets primarily include long-term investments not for trading purpose (except for the held-to-maturity investments).

Our proprietary trading income from available-for-sale financial assets mainly consists of (i) net realised gains or losses from the disposal of these assets, and (ii) dividends and interest income from these financial assets.

The following table summarises our proprietary trading income for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Unrealised gain/(loss) on financial assets at fair value through profit or loss	25.8	(33.7)	23.3
Realised gain/(loss) on financial assets at fair value through profit or loss	13.8	1.8	(2.9)
Realised gain/(loss) on available-for-sale investments	4.7	(19.8)	29.6
Realised gain on held-to-maturity investments	—	—	0.9
Fair value changes from financial liabilities at fair value through profit or loss	(16.0)	11.9	1.1
Dividend income	3.9	3.0	33.7
Bond interest income	7.4	46.7	84.2
Total	**39.6**	**9.9**	**169.9**

Comparisons between 2016 and 2015

Our proprietary trading income increased significantly to HK$169.9 million in 2016 compared to HK$9.9 million in 2015. This was principally as a result of the combination of the following:

- we generated unrealised gain on financial assets at fair value through profit or loss of HK$23.3 million in 2016, primarily due to the net increase in the fair value of the equity investment we held because the underlying portfolio company became listed on the Stock Exchange; we incurred unrealised loss on financial assets at fair value through profit or loss of HK$33.7 million in 2015, primarily because of the net change of fair value of the relevant financial assets as a result of unfavourable performance of the securities market in the second half of 2015;

- we realised a gain on available-for-sale investments of HK$29.6 million in 2016 as compared to a loss of HK$19.8 million in 2015, primarily because we disposed of our equity investments at a loss in the third quarter of 2015, while we realised a gain from the disposal of our bond investments in 2016, in connection with a change in the composition of our bond portfolio to avoid industry concentration;

- an increase in our bond interest income to HK$84.2 million in 2016 from HK$46.7 million in 2015, primarily because the bond portfolio that increased in the second half of 2015 only generated bond interest income for the second half of 2015, but generated bond interest throughout the full year of 2016; and

- an increase in our dividend income to HK$33.7 million in 2016 from HK$3.0 million in 2015, primarily because certain securities we held declared dividends in 2016.

These changes were partially offset by a decrease in fair value changes from financial liabilities at fair value through profit or loss to HK$1.1 million in 2016 from HK$11.9 million in 2015, due primarily to decreased prices of the mutual funds by a lesser extent in 2016 as compared to 2015.

Comparisons between 2015 and 2014

Our proprietary trading income decreased by 75.0% to HK$9.9 million in 2015 from HK$39.6 million in 2014. This was principally as a result of a combination of the following:

- a change in unrealised gain or loss on financial assets at fair value through profit or loss to a loss of HK$33.7 million in 2015 from a gain of HK$25.8 million in 2014, which reflected the net change of the fair value of the relevant financial assets as a result of unfavourable performance of the securities market in the second half of 2015;

- a change in realised gain or loss on available-for-sale investments to a loss of HK$19.8 million in 2015 from a gain of HK$4.7 million in 2014, primarily because we proactively disposed of some of our equity investments to cut loss in response to unfavourable performance of the securities market in the second half of 2015;

- a decrease in realised gain on financial assets at fair value through profit or loss to HK$1.8 million in 2015 from HK$13.8 million in 2014, primarily because we disposed of some of our investments in response to the unfavourable performance of the securities market in the second half of 2015; and

- a decrease in dividend income to HK$3.0 million in 2015 from HK$3.9 million in 2014, due primarily to a reduction in our equity investments.

These changes were partially offset by the following:

- an increase in bond interest income to HK$46.7 million in 2015 from HK$7.4 million in 2014, which reflected the shift of our investment focus to bond securities in response to the unfavourable performance of the stock market, in order to achieve more stable returns and reduce our exposure to market risk. As at 31 December 2015, the balance of our debt investments amounted to HK$1,009.2 million, compared to HK$104.6 million as at 31 December 2014; and

- our fair value changes from financial liabilities at fair value through profit or loss was positive HK$11.9 million in 2015, which was due primarily to decreased prices of the mutual funds in that year, as compared to negative HK$16.0 million in 2014, which was due primarily to increased prices of the mutual funds.

Other income

Our other income includes handling fees, price stabilisation profit, other interest income, exchange gains and other income not in our principal lines of business. We receive handling fees primarily from our securities brokerage business and stabilisation profit from our corporate finance and underwriting business. We receive other interest income primarily from bank interests on cash deposits for our own account and on behalf of our clients, and we receive other income not in our principal lines of business as well as exchange gains. The following table summarises our other income and gains for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Handling fees	17.7	18.8	16.2
Price stabilisation profit	—	15.4	—
Other interest income	9.0	8.1	8.8
Others	1.3	2.1	4.7
Exchange gains	—	2.6	—
Total	**28.0**	**47.0**	**29.7**

Comparisons between 2016 and 2015

Our other income decreased by 36.8% to HK$29.7 million in 2016 from HK$47.0 million in 2015. This was principally because (i) we made price stabilisation profit in 2015, and we did not generate such profit in 2016, and (ii) we generated exchange gains of HK$2.6 million in 2015 and such gains did not recur in 2016 primarily as a result of the Renminbi depreciation, which affected primarily the assets denominated in Renminbi we held.

Comparisons between 2015 and 2014

Our other income increased by 67.9% to HK$47.0 million in 2015 from HK$28.0 million in 2014. This was principally because we made price stabilisation profit in 2015, and we did not generate price stabilisation profit in 2014.

Total Expenses

Our total expenses include (i) commission and brokerage expenses, (ii) finance costs, (iii) staff costs, (iv) depreciation, (v) operating lease charges, (vi) other operating expenses and (vii) impairment losses. The following table summarises our total expenses for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Commission and brokerage expenses	90.3	155.0	59.9
Finance costs	52.1	70.1	99.7
Staff costs	157.2	287.9	243.2
Depreciation	8.7	10.2	10.3
Operating lease charges	45.5	51.5	52.6
Other operating expenses	96.5	123.8	147.1
Impairment losses	276.6	24.4	46.6
Total	**726.9**	**722.9**	**659.4**

Comparisons between 2016 and 2015

Our total expenses decreased by 8.8% to HK$659.4 million in 2016 from HK$722.9 million in 2015. This was principally as a result of decreases in our commission and brokerage expenses and staff costs.

Comparisons between 2015 and 2014

Our total expenses remained relatively stable at HK$726.9 million and HK$722.9 million in 2014 and 2015, respectively. This was principally as a result of a decrease in our impairment losses on loans and advances, which was partially offset by the increases in our staff costs and commission and brokerage expenses, reflecting our business growth in 2015.

Commission and brokerage expenses

Our commission and brokerage expenses primarily include expenses for the following activities:

- securities brokerage, primarily including securities dealing expenses charged by the stock exchanges and other authorised institutions for using their transaction and settlement systems as well as commissions paid to our self-employed account executives; and
- corporate finance and underwriting, primarily including commission expenses paid to other financial institutions for distributing the securities we underwrite, legal fees and consulting fees.

Comparisons between 2016 and 2015

Our commission and brokerage expenses decreased by 61.4% to HK$59.9 million in 2016 from HK$155.0 million in 2015, principally as a result of a decrease in our brokerage trading value to HK$95.9 billion in 2016 from HK$193.9 billion in 2015.

Comparisons between 2015 and 2014

Our commission and brokerage expenses increased by 71.7% to HK$155.0 million in 2015 from HK$90.3 million in 2014. This was principally because of the substantial increase in our expenses for the securities brokerage business, which was due primarily to (i) an increase in the securities dealing expenses as a result of our increased securities trading value to HK$193.9 billion in 2015 from HK$147.2 billion in 2014, and (ii) an increase in the trading value of accounts managed by our self-employed account executives, to whom we paid a commission.

Finance costs

Our finance costs primarily are interest expenses on subordinated loans, bank loans and overdrafts either from BOCOM or other third-party authorised financial institutions. The following table summarises our finance costs for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Interest expenses on subordinated loans from the ultimate holding company	13.7	16.1	17.8
Interest expenses on bank loans and overdraft from the ultimate holding company	7.4	10.0	17.2
Interest expenses on bank loans and overdraft from other financial institutions	31.0	43.6	63.5
Others	—	0.4	1.2
Total	**52.1**	**70.1**	**99.7**

Comparisons between 2016 and 2015

Our finance costs increased by 42.2% to HK$99.7 million in 2016 from HK$70.1 million in 2015. This was principally as a result of the increase in our average balance of bank loans in 2016 compared to 2015 and the increase in the base interest rate of the money market in the fourth quarter of 2016.

Comparisons between 2015 and 2014

Our finance costs increased by 34.5% to HK$70.1 million in 2015 from HK$52.1 million in 2014. This was principally as a result of an increase in our interest expenses on bank loans and overdraft primarily due to increased working capital requirement for our margin financing business.

Staff costs

Our staff costs primarily include salaries, bonuses and allowances, contribution to pension schemes and other welfare benefits paid to our employees, including our management and directors. The following table summarises our staff costs for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Salaries, bonus, staff allowances, commission, and other emoluments	149.4	270.2	235.6
Contributions to retirement benefit scheme	7.8	17.7	7.6
Total	**157.2**	**287.9**	**243.2**

Comparisons between 2016 and 2015

Our staff costs decreased by 15.5% to HK$243.2 million in 2016 from HK$287.9 million in 2015. This was principally as a result of a decrease in the performance-based staff costs in 2016 compared to 2015 in line with our decreased profit.

Comparisons between 2015 and 2014

Our staff costs increased by 83.1% to HK$287.9 million in 2015 from HK$157.2 million in 2014. This was primarily due to an increase in the performance-based staff costs in 2015 compared to 2014 in line with our increased profit.

Depreciation

Comparisons between 2016 and 2015

Our depreciation of property and equipment remained stable at HK$10.3 million and HK$10.2 million, respectively, in 2016 and 2015.

Comparisons between 2015 and 2014

Our depreciation of property and equipment increased by 17.2% to HK$10.2 million in 2015 from HK$8.7 million in 2014. This was principally because we purchased additional office equipment in 2015.

Operating lease charges

Our operating lease charges represent rentals and building management fees payable by us for office premises.

Comparisons between 2016 and 2015

Our operating lease charges remained stable at HK$52.6 million and HK$51.5 million, respectively, in 2016 and 2015.

Comparisons between 2015 and 2014

Our operating lease charges increased by 13.2% to HK$51.5 million in 2015 from HK$45.5 million in 2014. This was principally because (i) the rental charges increased upon lease renewal for our offices in Hong Kong in 2015, and (ii) we leased an additional property for BOCOM International (Shanghai) before the expiry of an existing lease for renovation purpose.

Other operating expenses

Our other operating expenses primarily include exchange and clearing fees, office and maintenance fees, IT expenses and legal and professional fee. The following table summarises our other operating expenses for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Exchange and clearing fees	20.2	28.5	23.0
Office and maintenance fees	19.6	22.9	27.2
IT expenses	19.5	28.9	26.1
Motor and travelling expenses	5.4	9.4	9.5
Bank charges	2.0	1.9	6.5
Legal and professional fee	4.8	4.3	8.0
Business development expenses	4.2	5.0	3.8
Recruitment expenses	4.6	5.3	4.8
Business tax expenses	2.8	1.7	1.6
Auditor's remuneration	0.9	0.7	0.7
Others	12.5	15.2	5.9
Listing related expense	—	—	15.0
Provision for regulatory matters	—	—	15.0
Total	**96.5**	**123.8**	**147.1**

Comparisons between 2016 and 2015

Our other operating expenses increased by 18.8% to HK$147.1 million in 2016 from HK$123.8 million in 2015, mainly due to (i) an increase of HK$15.0 million in listing related expenses in relation to the Global Offering, (ii) an increase of HK$15.0 million in provision for regulatory matters as a result of a fine of HK$15.0 million imposed by the SFC in March 2017 in connection with a listing application of a PRC-based company, details of which are set forth in "*Business — Legal and Regulatory Matters — Regulatory Non-compliance and Disciplinary Actions*", (iii) an increase of HK$4.6 million in bank charges which was in line with the increase of our outstanding bank loans to meet our increased financing needs, and (iv) an increase of HK$4.3 million in office and maintenance fees in connection with office maintenance work and increase in system maintenance fees in 2016, which were partially offset by (i) a decrease of HK$9.3 million in others primarily due to the reversal of over-provision made in relation to general expenses in previous years, and (ii) a decrease of HK$5.5 million in exchange and clearing fees in relation to our securities brokerage business.

Comparisons between 2015 and 2014

Our other operating expenses increased by 28.3% to HK$123.8 million in 2015 from HK$96.5 million in 2014. This was principally due to increases in our exchange and clearing fees which were in line with an increase of securities brokerage business in 2015 and in our IT expenses as a result of an increase in our information subscription expenses.

Impairment losses

Our impairment losses on loans and advances relate primarily to two loans we provided to our clients in our investment and loans business. The following table summarises our impairment losses for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Impairment losses on:			
Loans and advances	271.0	12.0	18.2
Accounts receivable from corporate finance and underwriting	5.6	12.4	20.1
Margin loans to customers	—	—	8.3
Total	**276.6**	**24.4**	**46.6**

Comparisons between 2016 and 2015

Our impairment losses increased by 91.0% to HK$46.6 million in 2016 compared to HK$24.4 million in 2015 due to: (i) an increase of HK$8.3 million on impairment losses on margin loans to customers to cover the margin shortfall due to market volatility; (ii) an increase of HK$7.7 million on impairment losses on accounts receivable from our corporate finance and underwriting business; and (iii) an increase of HK$6.2 million on impairment losses on loans and advances, reflecting the management's judgement on impairment losses from a personal loan in 2011 (as described below).

Comparisons between 2015 and 2014

Our impairment losses decreased significantly to HK$24.4 million in 2015 from HK$276.6 million in 2014. This was principally because we made full provision for one bridge loan to a listed company in 2014 and conducted asset restructuring for a personal loan lent to an individual client. Details of these two loans are as follows:

- We provided an unsecured bridge loan of US$35.0 million (HK$271.4 million, calculated at an exchange rate of HK$7.7534 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on 30 December 2016)) as part of a syndicated loan of US$90.0 million to a listed company on the Stock Exchange in 2014, which subsequently became delinquent in March 2014. We made full provision of HK$271.0 million for the bridge loan in 2014 after taking into consideration the borrower's financial situation and operations as well as the seniority of our claims among the creditors. As at the Latest Practicable Date, we had not recovered any outstanding amount under this syndicated loan.

- We provided a personal loan of HK$250.0 million in 2011 to an individual client. We assessed the possibilities of obtaining the repayment of such loan annually and started to make provision for impairment for such loan since 2012 accordingly. Through restructuring of such loan with the borrower and the guarantor in 2013, we received cash of HK$125.0 million in 2013 and 23,128,676 shares of a listed company in October 2016 after the expiry of the lock-up period of the guarantor of the loan. We assess the fair value of such shares annually and provide for impairment with respect to the shortfall of the fair value of such shares relative to the loan balance. In 2014, 2015 and 2016, we continued to make provision for impairment of this loan in the amount of nil, HK$12.0 million and HK$18.2 million, respectively. As at 31 December 2016, the outstanding balance of this loan was nil, and the shares we held for this loan, with a market value of approximately HK$5.8 million as at the same date, was recorded as part of our available-for-sale investment.

We consider the two incidents as one-off in nature. Following the two incidents, we have reviewed our internal control measures and implemented improvements. In particular,

- in relation to the personal loan granted in 2011, we have clearly segregated our investment and loans function from other businesses with a designated investment and loans team being in charge of all

investments made with our own funds. Such segregation allows our investment and loans function to focus on (i) making independent investment decisions and securing investment returns, and (ii) monitoring our investment and loans portfolio in a continuous and close manner, which increased the risk management efficiency for our investment and loans business; and

- in relation to the syndicated loan granted in 2014, we have (i) designated the member of the Executive Committee being responsible for overseeing the risk management as the chairman of the Investment Committee, (ii) appointed staff from various departments experienced in the financial industry to serve as expert members of the Investment Committee, in order to review the investment projects from different aspects and make well-considered and comprehensive investment decisions, and (iii) adopted an accountability system for non-performing projects and to take punitive actions such as decreasing the discretionary compensations, initiating lawsuits and publicly reprimanding with regard to the responsible persons.

Following the implementation of the above measures, our internal control has been enhanced. During the Track Record Period, we did not make any provision or impairment on the loans in respect of our investment and loans business other than the two loans mentioned above. On the basis of the above, the Directors consider that our existing risk management policies and measures in relation to our investment and loans business are adequate and effective. See "*Risk Management — Risk Management and Internal Control Measures in Our Principal Business Lines — Investment and Loans*".

Operating Profit

Comparisons between 2016 and 2015

As a result of the foregoing, our operating profit decreased by 5.8% to HK$393.6 million in 2016 from HK$417.7 million in 2015.

Comparisons between 2015 and 2014

As a result of the foregoing, our operating profit increased significantly to HK$417.7 million in 2015 from HK$55.0 million in 2014.

Share of results of associates

Comparisons between 2016 and 2015

Our share of results of associates remained stable at HK$9.9 million and HK$10.4 million, respectively, in 2016 and 2015.

Comparisons between 2015 and 2014

Our share of results of associates increased by 57.6% to HK$10.4 million in 2015 from HK$6.6 million in 2014. This was primarily due to ChinaStar Limited for International Economic & Technical Cooperation becoming our associate in December 2014, which contributed to our share of results of associates throughout 2015.

Profit before Taxation

Comparisons between 2016 and 2015

As a result of the foregoing, our profit before taxation decreased by 6.9% to HK$403.5 million in 2016 from HK$433.2 million in 2015.

Comparisons between 2015 and 2014

As a result of the foregoing, our profit before taxation increased significantly to HK$433.2 million in 2015 from HK$69.3 million in 2014.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. During the Track Record Period, we were subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profits for the years. Taxation on overseas profits has been calculated on the estimated assessable profit for the years at the rates of taxation prevailing in the countries in which we operate. During the Track Record Period, our PRC subsidiaries were subject to an Enterprise Income Tax (the "EIT") rate of 25.0% in accordance with the EIT law that became effective on 1 January 2008. Our effective income tax rate was 65.8%, 19.0% and 13.0% in 2014, 2015 and 2016, respectively. During the Track Record Period and as at the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Comparisons between 2016 and 2015

Our income tax expense decreased by 36.3% to HK$52.5 million in 2016 from HK$82.4 million in 2015. Our effective income tax rate decreased to 13.0% in 2016 from 19.0% in 2015. This was primarily because we utilised the tax losses of the members of the Group carried forward from previous years to offset such members' assessable profit for 2016, while the Company incurred loss and did not have any assessable profit in 2015 to be offset.

Comparisons between 2015 and 2014

Our income tax expense increased by 80.7% to HK$82.4 million in 2015 from HK$45.6 million in 2014. Our effective income tax rate decreased to 19.0% in 2015 from 65.8% in 2014. Our effective income tax rate was exceptionally high at 65.8% in 2014 because of the loan impairment the Company made in 2014 which cannot be offset by assessable profit.

Profit for the Year and Net Margin

The following table sets forth the key measurements of our profitability for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions, except percentages)		
Profit for the year	23.7	350.8	351.0
Net margin[1]	3.0%	30.8%	33.3%

Note:
(1) Net margin equals profit for the year divided by total revenue and other income.

Comparisons between 2016 and 2015

Our profit for the year remained stable at HK$351.0 million and HK$350.8 million, respectively, in 2016 and 2015.

Our net margin increased to 33.3% in 2016 from 30.8% in 2015, primarily because our investment and loans business and asset management and advisory business became profitable in 2016 and had relatively high segment margins in 2016.

Comparisons between 2015 and 2014

Our profit for the year increased significantly to HK$350.8 million in 2015 from HK$23.7 million in 2014. This was due to a significant increase in our revenue in 2015 compared to that in 2014 while the expenses remained relatively stable in 2014 and 2015.

Our net margin increased to 30.8% in 2015 from 3.0% in 2014 due to (i) an increase in commission and fee income from our corporate finance and underwriting business in 2015, and (ii) we had a bridge loan of US$35.0 million for which we made full provision in 2014.

SUMMARY SEGMENT RESULTS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have four principal financial segments: (i) securities brokerage and margin financing, (ii) corporate finance and underwriting, (iii) investment and loans and (iv) asset management and advisory.

The following table sets forth our segment revenue and other income (after inter-segment elimination), segment expenses (after inter-segment elimination), segment results (segment profit/(loss) before income tax, which is calculated as segment revenue and other income minus segment expenses) and segment margin (calculated as the segment results divided by the segment revenue and other income) for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions, except for percentages)		
Securities brokerage and margin financing			
Securities brokerage			
Segment revenue and other income	250.0	344.6	157.3
Segment expenses	208.4	293.7	211.8
Segment profit/(loss) before income tax	41.6	50.9	(54.5)
Segment margin (%)	16.6	14.8	(34.6)
Margin financing			
Segment revenue and other income	369.3	393.0	331.9
Segment expenses	119.1	155.9	154.4
Segment profit before income tax	250.2	237.1	177.5
Segment margin (%)	67.7	60.3	53.5
Corporate finance and underwriting			
Segment revenue and other income	95.9	345.6	216.5
Segment expenses	70.7	171.4	149.5
Segment profit before income tax	25.2	174.2	67.0
Segment margin (%)	26.3	50.4	30.9
Investment and loans			
Segment revenue and other income	46.7	9.9	204.6
Segment expenses	275.3	36.4	75.9
Segment (loss)/profit before income tax	(228.6)	(26.5)	128.7
Segment margin (%)	(489.5)	(267.7)	62.9
Asset management and advisory			
Segment revenue and other income	9.8	34.7	129.4
Segment expenses	51.9	65.5	52.0
Segment (loss)/profit before income tax	(42.1)	(30.8)	77.4
Segment margin (%)	(429.6)	(88.8)	59.8
Others			
Segment revenue and other income	10.2	12.8	13.3
Segment expenses	1.5	—	15.8
Segment profit/(loss) before income tax	8.7	12.8	(2.5)
segment margin (%)	85.3	100.0	(18.8)

Securities Brokerage and Margin Financing

Securities Brokerage

Segment revenue and other income from our securities brokerage business consists of commission and fee income from securities brokerage as well as handling fees for securities brokerage transactions. Segment expenses of our securities brokerage business primarily consist of commission and fee expenses on securities brokerage, exchange losses on the deposits we hold on behalf of brokerage clients, staff costs, rental expenses, and other general and administrative expenses.

Comparisons between 2016 and 2015

We had a segment loss before taxation of HK$54.5 million for our securities brokerage business in 2016 compared to a segment profit before taxation of HK$50.9 million in 2015, due primarily to:

- a 54.4% decrease in our segment revenue and other income to HK$157.3 million in 2016 from HK$344.6 million in 2015, primarily as a result of a decrease in our brokerage trading value to HK$95.9 billion in 2016 from HK$193.9 billion in 2015 in light of the less favourable stock market conditions compared to 2015; and

- a 27.9% decrease in our segment expenses to HK$211.8 million in 2016 from HK$293.7 million in 2015, primarily as a result of a decrease in the commission and fee expenses on securities brokerage due to a decrease in trading value of our securities brokerage transactions.

The segment margin of our securities brokerage business decreased to negative 34.6% in 2016 from 14.8% in 2015 as a result of a decrease in our segment revenue with relatively stable fixed costs.

Comparisons between 2015 and 2014

The segment profit before taxation of our securities brokerage business increased by 22.4% to HK$50.9 million in 2015 from HK$41.6 million in 2014, due primarily to:

- a 37.8% increase in our segment revenue and other income to HK$344.6 million in 2015 from HK$250.0 million in 2014 primarily due to our increased brokerage trading value resulting from (i) a surge in average daily trading value of the Hong Kong stock market, and (ii) an increase in our market share as a result of our ability to retain and attract clients; and

- a 40.9% increase in our segment expenses to HK$293.7 million in 2015 from HK$208.4 million in 2014, which was principally in line with the increase of our securities brokerage business for the same period.

The segment margin of our securities brokerage business remained relatively stable at 16.6% and 14.8% in 2014 and 2015, respectively.

The decreased segment margin from 16.6% in 2014 to 14.8% in 2015 and further to negative 34.6% in 2016 was primarily affected by the fluctuations in segment revenue, which, in turn, largely depends on the level of activity of the Hong Kong stock market. While we have little control over the trading volume of the Hong Kong stock market, we have adopted certain cost rationalisation measures and continually adjusted for the securities brokerage business since 2013 in order to achieve cost efficiency, and in turn, increase the segment margin. Our cost rationalisation measures primarily include (i) controlling the number of self-employed account executives with the aim to form an efficient team with high performance, and (ii) investing in our trading systems to improve their capabilities to serve corporate and institutional clients, such as technical support for commodities trading, so as to retain our existing and attract new corporate and institutional clients. Despite our continuous efforts in controlling the costs, the segment revenue for securities brokerage business did not experience significant increase during the Track Record Period. Instead, our segment revenue decreased by 54.4% in 2016

compared to 2015, which was primarily due to a general decline in trading activities in the Hong Kong stock market in 2016 compared to 2015. In 2015 and 2016, the monthly trading value of the Hong Kong stock market amounted to HK$2,174.2 billion and HK$1,366.4 billion, respectively. Responding to a less active Hong Kong stock market, we also actively explored other opportunities to reduce our reliance on the Hong Kong stock market. For example, we actively explored opportunities at overseas stock markets as well as trading of bonds, A shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of PRC listed companies, U.S. stocks, stocks listed on other stock exchanges and equity linked instruments. Assuming an active Hong Kong stock market, the Directors are of the view that with our continuous efforts in controlling the costs and our efforts to diversify our source of segment revenue, the decrease in segment margin for our securities brokerage business is not likely to continue. The view held by the Directors on the trend of segment margin for our securities brokerage business is forward-looking in nature. See "*Forward-Looking Statements*".

Margin Financing

Segment revenue and other income from our margin financing business consists of interest income generated from the margin loans we provide to our brokerage clients. Segment expenses of our margin financing business primarily consist of financing costs, staff costs, rental expenses, depreciation and other general and administrative expenses.

Comparisons between 2016 and 2015

The segment profit before taxation of our margin financing business decreased by 25.1% to HK$177.5 million in 2016 from HK$237.1 million in 2015, due primarily to:

- a 15.5% decrease in our segment revenue and other income to HK$331.9 million in 2016 from HK$393.0 million in 2015, primarily as a result of our proactive business decision to adjust our margin financing business throughout the year of 2016 taking into consideration the then market conditions and customer creditability; and

- a 1.0% decrease in our segment expenses to HK$154.4 million in 2016 from HK$155.9 million in 2015, primarily due to the decrease of our overall performance-based bonus in 2016.

As a result, the segment margin of our margin financing business decreased to 53.5% in 2016 from 60.3% in 2015.

Comparisons between 2015 and 2014

The segment profit before taxation of our margin financing business decreased by 5.2% to HK$237.1 million in 2015 from HK$250.2 million in 2014, due primarily to:

- a 6.4% increase in our segment revenue and other income to HK$393.0 million in 2015 from HK$369.3 million in 2014, primarily as a result of our increased margin loans to our clients in line with a more actively trading Hong Kong securities market and the growth of the market demand for margin financing in 2015; and

- a 30.9% increase in our segment expenses to HK$155.9 million in 2015 from HK$119.1 million in 2014, primarily as a result of increased financing costs because we used more external financing for our margin loans.

The segment margin of our margin financing business decreased to 60.3% in 2015 from 67.7% in 2014, primarily as a result of increased financing costs in 2015.

Corporate Finance and Underwriting

Segment revenue and other income from our corporate finance and underwriting business consists primarily of underwriting and placing commission, sponsor fees and financial advisory fees, as well as stabilisation profit. Segment expenses of our corporate finance and underwriting business consist primarily of staff costs and other operating expenses.

Comparisons between 2016 and 2015

The segment profit before taxation of our corporate finance and underwriting business decreased by 61.5% to HK$67.0 million in 2016 from HK$174.2 million in 2015, due primarily to:

- a 37.4% decrease in our segment revenue and other income to HK$216.5 million in 2016 from HK$345.6 million in 2015, primarily due to a less active stock market in Hong Kong with decreased equity funds raised through IPO transactions in 2016 compared to 2015, which resulted in fewer equity offerings we sponsored and placed in 2016; and

- a 12.8% decrease in our segment expenses to HK$149.5 million in 2016 from HK$171.4 million in 2015, primarily as a result of a decrease in performance-based staff costs in 2016 compared to 2015, which is partially offset by an increase of HK$15.0 million in provision for regulatory matters.

The segment margin of our corporate finance and underwriting business decreased to 30.9% in 2016 from 50.4% in 2015, primarily as a result of a decrease of corporate finance and underwriting segment revenue.

Comparisons between 2015 and 2014

The segment profit before taxation of our corporate finance and underwriting business increased significantly to HK$174.2 million in 2015 from HK$25.2 million in 2014, due primarily to:

- a significant increase in our segment revenue and other income to HK$345.6 million in 2015 from HK$95.9 million in 2014, primarily as a result of an active stock market in Hong Kong in 2015 and an increased number of equity offerings where we had a sponsor role which allowed us to have more leverage in securing a larger portion of underwriting commission and fees; and

- a 142.4% increase in our segment expenses to HK$171.4 million in 2015 from HK$70.7 million in 2014, which was in line with an increase in performance-based staff costs in 2015 compared to 2014.

The segment margin of our corporate finance and underwriting business increased to 50.4% in 2015 from 26.3% in 2014. We endeavour to maintain a stable and relatively high segment margin for our corporate finance and underwriting business. The segment margin of our corporate finance and underwriting business was low at 26.3% in 2014, primarily because we generated less segment revenue in 2014 compared to 2015 and we continued to incur stable fixed costs.

Investment and Loans

Segment revenue and other income from our investment and loans business consists primarily of net gains from financial assets at fair value through profit or loss (including financial assets held for trading and derivatives), realised gain on held-to-maturity investments and available-for-sale financial assets, fair value changes from financial liabilities at fair value through profit or loss, dividend income and bond interest income. Segment expenses of our investment and loans business consist primarily of finance costs, impairment losses, staff costs and rental expenses.

Comparisons between 2016 and 2015

The segment profit before taxation of our investment and loans business in 2016 was HK$128.7 million compared to a segment loss before taxation of HK$26.5 million in 2015, due primarily to:

- a significant increase in our segment revenue and other income to HK$204.6 million in 2016 from HK$9.9 million in 2015, primarily because we disposed of our equity investments at a loss in the third quarter of 2015, while in 2016: (i) we generated revenue from the fixed income securities we held for our investment portfolio, either through bond interest and dividend, or through gains on disposal; (ii) we had unrealised gain on financial assets at fair value through profit or loss from certain investment we held; and (iii) we generated interest income from the loans that we provided in 2016 and a financing arrangement between our ultimate controlling shareholder and us in 2016. As at the Latest Practicable Date, such financing arrangement between the ultimate controlling shareholder and us has been terminated; and

- a 108.5% increase in our segment expenses to HK$75.9 million in 2016 from HK$36.4 million in 2015, primarily due to the increase in the relevant finance cost.

As a result of the foregoing, the segment margin of our investment and loans business was 62.9% in 2016, while it was negative 267.7% in 2015.

Comparisons between 2015 and 2014

The segment loss before taxation of our investment and loans business decreased by 88.4% to HK$26.5 million in 2015 from HK$228.6 million in 2014, due primarily to:

- a 78.8% decrease in our segment revenue and other income to HK$9.9 million in 2015 from HK$46.7 million in 2014, which reflected the net change of the fair value of the relevant financial assets as a result of unfavourable performance of the securities market in the second half of 2015; and

- an 86.8% decrease in our segment expenses to HK$36.4 million in 2015 from HK$275.3 million in 2014, due primarily to the full provision of HK$271.0 million provided for a bridge loan of US$35.0 million incurred in 2014.

The segment margin of our investment and loans business was negative 267.7% in 2015 compared to negative 489.5% in 2014.

Asset Management and Advisory

Segment revenue and other income from our asset management and advisory business consists primarily of management fees, performance fees and advisory fees. Segment expenses of our asset management and advisory business consist primarily of staff costs and operating expenses.

Comparisons between 2016 and 2015

The segment profit before taxation of our asset management and advisory business in 2016 was HK$77.4 million compared to a segment loss before taxation of HK$30.8 million in 2015, due primarily to:

- a 272.9% increase in our segment revenue and other income to HK$129.4 million in 2016 from HK$34.7 million in 2015, primarily as a result of an increase in the AUM of our asset management and advisory business to HK$13,843.3 million in 2016 from HK$3,968.4 million in 2015 due to (i) an increased AUM managed by us as a result of more schemes and funds offered by us and the increase in the AUM from our existing clients under our asset management and advisory business, and (ii) an increase in the investment advisory fee as a result of our expanded investment advisory business; and

- a 20.6% decrease in our segment expenses to HK$52.0 million in 2016 from HK$65.5 million in 2015, primarily as a result of the decrease in our overall performance-based compensation to employees in 2016.

The segment margin of our asset management and advisory business was 59.8% in 2016 compared to negative 88.8% in 2015, due primarily to our expanded investment advisory business which has a higher segment margin.

Comparisons between 2015 and 2014

We had a segment loss before taxation of HK$30.8 million for our asset management and advisory business in 2015 compared to a segment loss before taxation of HK$42.1 million in 2014, due primarily to:

- a 254.1% increase in our segment revenue and other income to HK$34.7 million in 2015 from HK$9.8 million in 2014, primarily due to (i) an increased AUM managed by us as we launched a targeted asset management schedule in the PRC at the end of 2014 and started to receive management fee therefrom since April 2015, and (ii) an increase in the investment advisory fee as a result of an increased number of clients we attracted; and

- a 26.2% increase in our segment expenses to HK$65.5 million in 2015 from HK$51.9 million in 2014, primarily as a result of the business expansion and increased staff costs and rental expenses, accordingly, of our asset management and advisory business in 2015.

As a result, the segment margin of our asset management and advisory business was negative 88.8% in 2015 and negative 429.6% in 2014. Segment margin of our asset management and advisory business remained negative in 2014 and 2015, primarily because our asset management and advisory business is at a stage of rapid development and requires substantial expenditures upfront before it can attract and retain clients for an increased AUM and generate profit. During the Track Record Period, our AUM increased significantly from HK$453.2 million as at 31 December 2014 to HK$13,843.3 million as at 31 December 2016.

Others

Segment revenue and other income from our others segment consists primarily of interest income from our own deposits and other income and gains, such as exchange gains. Segment expenses of our others segment consist primarily of exchange losses.

Comparisons between 2016 and 2015

We had a segment loss before taxation of HK$2.5 million for our others segment in 2016 compared to a segment profit before taxation of HK$12.8 million, due primarily to the occurrence of segment expenses of HK$15.0 million in relation to the Global Offering. The segment margin of our others segment was negative 18.8% in 2016 compared to 100.0% in 2015.

Comparisons between 2015 and 2014

The segment profit before taxation of our others segment increased by 47.1% to HK$12.8 million in 2015 from HK$8.7 million in 2014, primarily because we made interest income and foreign exchange gains in 2015 but not in 2014, and we did not have any segment expenses in 2015 compared to HK$1.5 million incurred in 2014 as we had foreign exchange losses in 2014. The segment margin of our others segment increased to 100.0% in 2015 from 85.3% in 2014 as a result of the foregoing.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our operations were primarily financed by cash generated from our business operations, bank loans (either from BOCOM or other third-party financial institutions) and subordinated loans from BOCOM. We managed our capital structure and funding in accordance with the economic and market environment. Our source of funding primarily included:

- *Bank borrowings.* We obtain short-term and long-term liquidity from banks through secured or unsecured bank borrowings. Secured bank borrowings are secured by the preference shares that we hold. Unsecured bank borrowings do not require collateral and are the main source of our short-term liquidity. As at 31 March 2017, the aggregate balance of our bank borrowings was HK$4,354.0 million, including HK$998.2 million from BOCOM and HK$3,355.8 million from other third-party financial institutions.

- *Subordinated loans.* We obtain short-term and long-term subordinated loans from BOCOM. As at 31 March 2017, the aggregate balance of our subordinated loans was HK$1,000.0 million.

As at 31 March 2017, we had cash and bank balances (excluding cash and bank balances managed by us under consolidated structured entities) of HK$561.7 million.

When determining the amount of capital and other resources to be allocated to each business line, we mainly take into account our prevailing growth strategy and business focus, the capital requirements and estimated return for each business and applicable regulatory requirements, such as those in relation to capital adequacy, liquidity and risk management.

After the Global Offering, we intend to finance our future capital requirements through the same sources of funding as discussed above, together with the net proceeds we receive from the Global Offering. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

Taking into account the net proceeds from the Global Offering and the financial resources available to us, the Directors believe that we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus. After making reasonable enquiries with us about our working capital requirements, there is nothing that has caused the Joint Sponsors to disagree with our view.

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows, assets and liabilities, and indebtedness.

Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Net cash (used in)/generated from operating activities	(413.1)	401.2	(948.9)
Net cash used in investing activities	(105.4)	(1,274.6)	(1,498.4)
Net cash generated from financing activities	604.3	1,417.1	2,092.5
Net increase/(decrease) in cash and cash equivalents	**85.8**	**543.7**	**(354.8)**
Cash and cash equivalents at the beginning of the year	233.7	317.7	858.9
Effect of exchange rate changes on cash and cash equivalents	(1.8)	(2.5)	(1.7)
Cash and cash equivalents at the end of the year	**317.7**	**858.9**	**502.4**

Operating activities

Our cash from operating activities consists primarily of cash generated or paid in relation to our brokerage, margin financing, corporate finance and underwriting, investment and loans and asset management operations. Cash flow from operating activities reflects (i) profit before taxation adjusted for interest income from clients, impairment losses and finance costs, (ii) the effects of movements in working capital, such as increase or decrease in margin accounts to customers, accounts payable, accounts receivable and other payables and accrued expenses, and (iii) other cash items such as interest received from clients, interest expense paid and income tax paid.

Our net cash flow from operating activities was negative in 2014 and 2016, and was positive in 2015. Our profit before taxation amounted to HK$69.3 million, HK$433.2 million and HK$403.5 million in 2014, 2015 and 2016, respectively.

In 2016, we had net cash used in operating activities of HK$948.9 million due primarily to our profit before taxation of HK$403.5 million and net cash outflows from change in working capital. Our net cash outflows from change in working capital primarily reflected (i) a net increase in financial assets at fair value through profit or loss of HK$447.9 million for acquisition of investment for our investment and loans business, and (ii) a decrease in other payables and accrued expenses of HK$834.3 million as a result of the remittance of proceeds to an issuer for an IPO mandate. These cash outflows are partially offset by the decrease in accounts receivables of HK$553.5 million due to the decrease in outstanding settlement amounts due from brokerage customers.

In 2015, we had net cash generated from operating activities of HK$401.2 million due primarily to our profit before taxation of HK$433.2 million and net cash inflows from change in working capital. Our positive movements in working capital primarily reflected (i) an increase in other payables and accrued expenses of HK$887.4 million due to the proceeds raised in an IPO for an issuer which was pending settlement, (ii) an increase in provision for staff costs of HK$91.9 million for performance-based bonuses during the year, and (iii) a decrease in financial assets at fair value through profit or loss of HK$33.1 million as a result of the disposal of investments held for trading for a change in investment strategy. These cash inflows were partially offset by an increase in margin loans to customers of HK$365.1 million as a result of our expanded margin financing business.

In 2014, we had net cash used in operating activities of HK$413.1 million due primarily to our profit before taxation of HK$69.3 million and net cash outflows from a change in working capital. Our negative movements in working capital primarily reflected (i) an increase in accounts receivable of HK$372.2 million as a result of a change in outstanding settlement amounts due from brokerage customers as at the cut-off date, (ii) an increase in margin loans to customers of HK$337.8 million as a result of our expanded margin financing business, and (iii) an increase in loans and advances of HK$154.9 million due to a new direct loan lending during the year. These cash outflows were partially offset by (i) an increase in accounts payable of HK$213.0 million as a result of a change in outstanding settlement amounts due from brokerage customers as at the cut-off date, and (ii) a decrease in the amount due from an associate of HK$60.7 million as a result of the settlement of dividends from an associate.

Investing activities

Our cash outflows from investing activities consist primarily of our purchase of property and equipment, purchase of subsidiaries and associates and purchase of not-for-trading investments classified as available-for-sale financial assets and held-to-maturity investments. Our cash inflows from investing activities consist primarily of the proceeds from the disposal of property and equipment, subsidiaries, joint ventures and not-for-trading investments as well as dividends and interest received from our associates and other investments.

In 2016, we had net cash used in investing activities of HK$1,498.4 million due primarily to purchase of available-for-sale investments of HK$2,080.1 million for the overall increase in our investment portfolio, partially offset by the disposal of bond investments classified as available-for-sale financial assets of HK$471.0 million due to the adjustment of our investment portfolio.

In 2015, our net cash used in investing activities was HK$1,274.6 million due primarily to (i) the purchase of held-to-maturity investments of HK$901.2 million for an increase in bond investments, and (ii) the purchases of available-for-sale investments of HK$881.7 million, principally consisting of preference shares and perpetual debt securities. These cash outflows were partially offset by proceeds of HK$358.2 million from the disposal of available-for-sale investments, principally consisting of equity securities due to change in investment strategy from equity to fixed income securities.

In 2014, our net cash used in investing activities was HK$105.4 million, due primarily to (i) the purchases of available-for-sale investments of HK$195.5 million, principally consisting of equity securities, and (ii) the acquisition of a subsidiary for the consideration of HK$99.4 million, which was partially offset by proceeds of HK$131.1 million from the disposal of available-for-sale investments, principally equity securities due to an adjustment of our investment portfolio.

Financing activities

Financing activities primarily include drawdown/repayments of bank loans and subordinated loans, and contributions from/redemption by non-controlling interests.

In 2016, we had net cash generated from financing activities of HK$2,092.5 million, due primarily to the net drawdown of bank loans of HK$2,093.0 million.

In 2015, our net cash generated from financing activities was HK$1,417.1 million, due primarily to the net drawdown of bank loans and subordinated loans of HK$1,218.3 million and HK$200.0 million, respectively.

In 2014, our net cash generated from financing activities was HK$604.3 million, due primarily to the net drawdown of bank loans of HK$604.3 million.

Assets and Liabilities

In order to ensure appropriate liquidity management and capital allocation, we dynamically monitor the size and composition of our balance sheet and seek to maintain a liquid balance sheet.

Current assets and liabilities

The following table sets forth the components of our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
		(HK$ in millions)		(unaudited)
Current assets				
Loans and advances	38.8	26.7	—	46.5
Tax recoverable	4.3	—	20.1	32.8
Accounts receivable	879.6	1,158.6	585.0	834.5
Other receivables and prepayments	58.2	60.4	75.2	72.9
Margin loans to customers	4,548.1	4,913.3	5,123.3	4,828.5
Amount due from an associate	2.4	3.4	—	—
Amount due from related parties	—	0.9	16.1	2.0
Financial assets at fair value through profit or loss	247.2	94.8	566.0	543.7
Derivative financial assets(1)	0.2	—	0.3	0.8
Cash and bank balances	317.7	859.7	504.1	561.7
Total current assets	**6,096.5**	**7,117.8**	**6,890.1**	**6,923.4**
Current liabilities				
Bank loans	1,536.7	1,913.6	3,551.6	3,055.8
Subordinated loans from the ultimate holding company	600.0	400.0	1,000.0	1,000.0
Tax payable	10.3	27.0	1.4	—
Provision for staff costs	25.8	117.7	81.0	81.2
Other payables and accrued expenses	65.3	957.9	108.4	126.0
Accounts payable	557.2	262.3	115.4	633.2
Deferred revenue	—	—	14.3	—
Amount due to a fellow subsidiary	0.1	—	—	—
Amount due to the ultimate holding company	4.8	7.0	5.8	0.7
Financial liabilities at fair value through profit or loss	71.0	24.3	18.4	18.8
Derivative financial liabilities	—	—	0.4	0.8
Total current liabilities	**2,871.2**	**3,709.8**	**4,896.7**	**4,916.5**
Net current assets	**3,225.3**	**3,408.0**	**1,993.4**	**2,006.9**

Note:

(1) Our derivative financial assets are primarily related to the commodity derivatives transactions services for the BOCOM Group. We assume no overall risks of investment losses due to the offsetting between the investment gains and the investment losses from the derivatives transactions in opposite directions. For details, see "*Connected Transactions — B. Non-exempt Continuing Connected Transactions — 2. Derivatives Transactions Framework Agreement*".

Our current assets consist primarily of margin loans to customers, accounts receivables, cash and bank balances and financial assets at fair value through profit or loss. Our current liabilities primarily include bank loans, subordinated loans from BOCOM, accounts payable and other payables and accrued expenses. The Directors confirm that we did not have any material default in the payment of trade and non-trade payables during the Track Record Period.

Our net current assets, the difference between total current assets and total current liabilities, remained positive during the Track Record Period.

Our net current assets decreased by 41.5% to HK$1,993.4 million as at 31 December 2016 from HK$3,408.0 million as at 31 December 2015, due to a combination of a HK$227.7 million decrease in total current assets and a HK$1,186.9 million increase in total current liabilities. The decrease in our total current assets was primarily due to a HK$573.6 million decrease in accounts receivable and a HK$355.6 million decrease in cash and bank balances as at 31 December 2016 compared to 31 December 2015, which were

partially offset by (i) a HK$471.2 million increase in financial assets at fair value through profit or loss as a result of an expansion of our investment and loans business, and (ii) a HK$210.0 million increase in margin loans to customers, reflecting the overall expanded margin loan business in 2016. The increase in our total current liabilities was primarily due to (i) a HK$1,638.0 million increase in bank loans primarily for replenishing our working capital, and (ii) a HK$600 million increase in subordinated loans from BOCOM primarily because such loans have been reclassified from non-current liabilities to current liabilities to reflect the actual remaining loan term.

Our net current assets increased by 5.7% to HK$3,408.0 million as at 31 December 2015 from HK$3,225.3 million as at 31 December 2014, because the increase in our total current assets was slightly greater than the increase in our total current liabilities. The increase in our total current assets was primarily due to (i) a HK$542.0 million increase in cash and bank balances primarily as a result of the unsettled IPO proceeds payable to the relevant issuer and (ii) a HK$365.2 million increase in our margin loans to customers as a result of increased client demand and our expanded margin financing business. The increase in our total current liabilities was primarily due to (i) a HK$892.6 million increase in our other payables and accrual expenses due primarily to an increase in the IPO proceeds payable to the relevant issuer, and (ii) a HK$376.9 million increase in short-term bank loans, in order to replenish our working capital, which were partially offset by a HK$200.0 million decrease in subordinated loans from BOCOM as we renewed such loans in 2015 which were then classified as non-current assets as at 31 December 2015.

Non-current assets and liabilities

The following table sets forth the components of our non-current assets and liabilities as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	(HK$ in millions)		
Non-current assets			
Property and equipment	17.3	15.9	19.8
Intangible assets	3.2	3.2	3.2
Interest in associates	108.9	105.4	102.7
Interest in a joint venture	—	—	1.8
Other assets	27.4	34.4	28.7
Held-to-maturity investments	—	902.9	—
Available-for-sale investments	119.4	616.0	3,132.7
Deferred tax assets	0.6	0.7	0.3
Total non-current assets	**276.8**	**1,678.5**	**3,289.2**
Non-current liabilities			
Bank loans	—	841.5	1,296.4
Subordinated loans from the ultimate holding company	200.0	600.0	—
Deferred tax liabilities	—	0.1	0.1
Total non-current liabilities	**200.0**	**1,441.6**	**1,296.5**

Our non-current assets consist primarily of available-for-sale investments and held-to-maturity investments. Our available-for-sale investments primarily include our investments in long-term equity and fixed income investments for non-trading purpose. Our held-to-maturity investments primarily include our investments in debt securities. Our non-current liabilities consist primarily of loans from either BOCOM or other third-party financial institutions.

Our non-current assets increased by 96.0% to HK$3,289.2 million as at 31 December 2016 from HK$1,678.5 million as at 31 December 2015, due primarily to a HK$2,516.7 million increase in available-for-sale investments, primarily consisting of fixed income investments in our investment and loans business, partially

offset by a HK$902.9 million decrease in held-to-maturity investments, due primarily to reclassification of such investments for accounting purposes after the disposal of certain of our fixed income investments. Our total non-current liabilities decreased by 10.1% to HK$1,296.5 million as at 31 December 2016 from HK$1,441.6 million as at 31 December 2015 due to a HK$600.0 million decrease in subordinated loans from the ultimate holding company as a result of the reclassification of such loan to short-term borrowing after taking into account the remaining term of such loan, which was offset by a HK$454.9 million increase in bank loans as part of our liquidity management.

Our non-current assets increased significantly to HK$1,678.5 million as at 31 December 2015 from HK$276.8 million as at 31 December 2014 due primarily to (i) a HK$902.9 million increase in our held-to-maturity investments as a result of our purchase of long-term fixed income investments, reflecting the change of our investment strategy to focus on fixed-income securities for more stable investment return and (ii) a HK$496.6 million increase in our available-for-sale investments, primarily consisting of fixed income investments and listed equity. Our total non-current liabilities increased significantly to HK$1,441.6 million as at 31 December 2015 from HK$200.0 million as at 31 December 2014 primarily as a result of a HK$ 841.5 million increase in our drawdown of bank loans and a HK$400.0 million increase in subordinated loans from the ultimate holding company (as such loan has been renewed and classified as long-term borrowing) as part of our liquidity management.

Selected financial assets held by us

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss are mainly associated with our investment and loans business. As at 31 March 2017, our financial assets at fair value through profit or loss amounted to HK$543.7 million. Our financial assets at fair value through profit or loss attributable to our investment and loans business primarily comprise our debt securities held for investment purposes. The table below sets forth a breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
				(unaudited)
	(HK$ in millions)			
Equity securities	131.9	49.4	32.1	38.8
Equity listed on the Stock Exchange	75.0	—	—	—
Equity listed in the PRC	56.9	49.4	32.1	38.8
Equity listed abroad/others	—	—	—	—
Debt investments	104.6	4.1	400.8	323.7
Investment grade or the equivalent(1)	44.3	4.1	3.8	3.8
High yield(2)	34.9	—	—	—
No rating(3)	25.4	—	397.0	319.9
Funds	—	31.2	27.4	31.4
Unlisted equity	10.7	10.1	105.7	149.8
Total	**247.2**	**94.8**	**566.0**	**543.7**

Notes:

(1) As at 31 December 2014, 2015 and 2016, we had debt investments of investment grade or the equivalent under this sub-section with "BBB-" or above for Standard & Poor's rating, and "BBB" for Fitch's rating. For details, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

(2) As at 31 December 2014, we had high yield debt investments under this sub-section with "BB+" or below for Standard & Poor's rating, and "Ba1" for Moody's rating. For details, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

(3) As at 31 December 2014 and 2016, we had debt investments of no rating under this sub-section for listed corporate debts. See "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

Our financial assets at fair value through profit or loss increased significantly to HK$566.0 million as at 31 December 2016 from HK$94.8 million as at 31 December 2015, primarily due to the expansion of our investment and loans business. Our financial assets at fair value through profit or loss decreased by 61.7% to HK$94.8 million as at 31 December 2015 from HK$247.2 million as at 31 December 2014, primarily due to substantial decrease in equity securities as a result of our investment strategies in reducing equity securities since 2015 and decrease in debt securities as a result of the disposal of a consolidated fixed income fund in June 2015.

Available-for-sale financial assets

Our available-for-sale financial assets are mainly associated with our investment and loans business. As at 31 March 2017, our available-for-sale financial assets amounted to HK$3,258.1 million. Our available-for-sale financial assets primarily comprise our debt securities held for investment purpose and preference shares issued by reputable financial institutions held for investment purposes. The table below sets forth a breakdown of our available-for-sale financial assets as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
				(unaudited)
	(HK$ in millions)			
Equity securities	114.2	80.2	31.6	35.5
Equity listed on the Stock Exchange	114.2	80.2	31.6	35.5
Equity listed in the PRC	—	—	—	—
Equity listed abroad/others	—	—	—	—
Debt investments	—	102.2	1,624.4	1,545.2
Investment grade or the equivalent(1)	—	—	502.7	480.7
High yield(2)	—	—	875.6	816.9
No rating(3)	—	102.2	246.1	247.6
Preference shares	—	428.6	1,381.3	1,387.6
Investment grade or the equivalent(4)….	—	—	450.8	454.1
High yield(5)	—	428.6	853.1	856.0
No rating	—	—	77.4	77.5
Unlisted fund	—	—	39.5	39.5
Unlisted debt	—	—	—	194.0
Unlisted equity	3.1	2.9	53.9	54.3
Club debentures	2.1	2.1	2.0	2.0
Total	**119.4**	**616.0**	**3,132.7**	**3,258.1**

Notes:

(1) As at 31 December 2016, we had debt investment of investment grade or the equivalent under this sub-section with "BBB" or above for Standard & Poor's rating. For details, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

(2) As at 31 December 2016, we had high yield debt investments under this sub-section with "BB+" or below for Standard & Poor's rating, and "Ba1" or below for Moody's rating. For details, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

(3) As at 31 December 2015, we had debt investments of no rating under this sub-section for listed corporate debts and as at 31 December 2016, we had debt investments of no rating under this sub-section for listed and unlisted corporate debts. See "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

(4) As at 31 December 2016, we had preference share investment of investment grade or the equivalent under this sub-section with "BBB" or above for Standard & Poor's rating.

(5) As at 31 December 2016, we had high yield preference share investments under this sub-section with "BB" or below for Standard & Poor's rating.

Our available-for-sale financial assets increased significantly to HK$616.0 million as at 31 December 2015 from HK$119.4 million as at 31 December 2014, and further increased significantly to HK$3,132.7 million as at 31 December 2016, primarily reflecting our shifted investment strategies from equity securities to fixed-income securities. Due to the disposal of part of our held-to-maturity securities as at 1 June 2016, which led to the reclassification of the remaining unsold held-to-maturity securities as available-for-sale financial assets, our

available-for-sale financial assets as at 31 December 2016 increased significantly compared to 31 December 2015.

Held-to-maturity investments

Our held-to-maturity investments are mainly associated with our investment and loans business. Our held-to-maturity investments primarily comprise listed debt securities held for long-term investment purposes. The tables below set forth details of our held-to-maturity investments as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
				(unaudited)
	(HK$ in millions)			
Listed in Hong Kong	—	336.3	—	—
Listed outside Hong Kong	—	466.6	—	—
Unlisted	—	100.0	—	—
Total	**—**	**902.9**	**—**	**—**

	As at 31 December			As at 31 March
	2014	2015	2016	2017
				(unaudited)
	(HK$ in millions)			
Investment grade bonds or the equivalent	—	—	—	—
High yield bonds[1]	—	802.9	—	—
No rating[2]	—	100.0	—	—
Total	**—**	**902.9**	**—**	**—**

Notes:

(1) As at 31 December 2015, we had high yield debt investments under this sub-section with "BB+" or below for Standard & Poor's rating. For details, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

(2) As at 31 December 2015, we had debt investments of no rating under this sub-section for an unlisted corporate debt. See "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (b) Credit risk*".

As at 31 December 2014 and 31 December 2016, we did not have any held-to-maturity investments. As at 31 December 2015, we had held-to-maturity investments of HK$902.9 million, primarily due to the purchase of long-term fixed-income investments, reflecting the change of our investment strategy to focus on fixed-income securities for a more stable investment return. Part of such long-term fixed-income investments was subsequently sold in mid-2016 in connection with a change in the composition of our bond portfolio for purposes of avoiding industry concentration, which led to the reclassification of the remaining unsold held-to-maturity securities as available-for-sale financial assets.

Our financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments related to our investment and loans business are our investments in nature, which are subject to various risks, including, among other things, market volatility. See "*Risk Factors — Risks Relating to Our Business and Industry — Our investment and loans business is subject to market volatility and our investment decisions*".

To better manage our investment portfolio to achieve an investment return with risks suitable to our risk appetite, we also carefully select, among other things, the counterparties involved in our investments. The tables below set forth background of the counterparties (based on Bloomberg industry classification) involved in our selected investment portfolio as at the dates indicated:

Financial assets at fair value through profit or loss

	As at 31 December			As at 31 March
	2014	2015	2016	2017
				(unaudited)
	(HK$ in millions)			
Equity				
Basic materials	3.9	2.9	—	1.1
Communications	5.6	1.1	1.9	3.6
Consumer, cyclical	7.5	11.2	5.2	8.8
Consumer, non-cyclical	24.8	19.2	8.3	12.5
Diversified	—	1.1	—	—
Energy	12.0	—	1.3	—
Financial[1]	61.7	7.6	11.5	6.9
Industrial	16.4	5.6	3.9	5.9
Technology	—	0.7	—	—
Total	**131.9**	**49.4**	**32.1**	**38.8**
Debt				
Basic materials	8.1	—	—	—
Energy	6.5	—	—	—
Financial[1]	62.3	1.4	397.0	319.9
Government	25.2	2.7	3.8	3.8
Technology	2.5	—	—	—
Total	**104.6**	**4.1**	**400.8**	**323.7**

Note:

(1) Financial sector comprises banks, financial services, property and casualty insurance and real estate businesses according to Bloomberg industry classification.

Available-for-sale financial assets

	As at 31 December			As at 31 March
	2014	2015	2016	2017
		(HK$ in millions)		(unaudited)
Equity				
Basic materials	—	—	5.8	3.7
Consumer, non-cyclical	101.7	—	—	—
Energy	12.5	—	—	—
Technology	—	80.2	25.8	31.8
Total	**114.2**	**80.2**	**31.6**	**35.5**
Debt				
Consumer, cyclical	—	—	6.7	7.1
Consumer, non-cyclical	—	—	106.9	106.7
Energy	—	—	32.6	33.3
Financial(1)	—	102.2	1,333.7	1,251.5
Industrial	—	—	144.5	146.6
Total	**—**	**102.2**	**1,624.4**	**1,545.2**
Preference share				
Financial(1)	—	428.6	1,303.9	1,310.0
Technology	—	—	77.4	77.6
Total	**—**	**428.6**	**1,381.3**	**1,387.6**

Note:

(1) Financial sector comprises banks, financial services, property and casualty insurance and real estate businesses according to Bloomberg industry classification.

Held-to-maturity investments

	As at 31 December			As at 31 March
	2014	2015	2016	2017
		(HK$ in millions)		(unaudited)
Debt				
Consumer, cyclical	—	76.9	—	—
Consumer, non-cyclical	—	99.4	—	—
Energy	—	29.7	—	—
Financial(1)	—	488.3	—	—
Industrial	—	208.6	—	—
Total	**—**	**902.9**	**—**	**—**

Note:

(1) Financial sector comprises banks, financial services, property and casualty insurance and real estate businesses according to Bloomberg industry classification.

As at 31 December 2014, 2015 and 2016, debt securities and preference shares issued by companies in the financial sector constituted the majority of our fixed income investment portfolio. As at the same dates, equity securities issued by companies in technology, financial and consumer (cyclical and non-cyclical) services industries constituted the majority of our equity investment portfolio.

INDEBTEDNESS

As at 31 March 2017, being the latest practicable date for the purpose of the indebtedness statement, we had HK$998.2 million of bank loans and HK$1,000.0 million of subordinated loans from BOCOM.

The following table sets forth a breakdown of our indebtedness by type as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
		(HK$ in millions)		(unaudited)
Bank loans				
Short term	1,536.7	1,913.6	3,551.6	3,055.8
From ultimate holding company	204.4	—	—	—
From other financial institutions	1,332.3	1,913.6	3,551.6	3,055.8
Long term	—	841.5	1,296.4	1,298.2
From ultimate holding company	—	541.5	996.4	998.2
From other financial institutions	—	300.0	300.0	300.0
Total bank loans	**1,536.7**	**2,755.1**	**4,848.0**	**4,354.0**
Subordinated loans				
Short term	600.0	400.0	1,000.0	1,000.0
Long term	200.0	600.0	—	—
Total subordinated loans	**800.0**	**1,000.0**	**1,000.0**	**1,000.0**

Bank Loans

We incurred short-term bank borrowings of HK$1,536.7 million, HK$1,913.6 million, HK$3,551.6 million and HK$3,055.8 million as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively, all of which were repayable on demand. We choose to borrow from different financial institutions, being BOCOM or other authorised financial institutions, mainly based on the interest rate available for such loans. We incurred bank borrowings primarily to fund our working capital requirements and for refinancing. As at 31 March 2017, bank borrowings of HK$298.6 million from other financial institutions were secured by the preference shares held by us, the fair value of which was HK$428.6 million as at the same date. As at the same date, we had unutilised banking facilities of HK$9,041.9 million.

We incurred long-term bank borrowings of nil, HK$841.5 million, HK$1,296.4 million and HK$1,298.2 million as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively. As at 31 March 2017, all of our long-term borrowings were not secured.

The following table sets forth the range of interest rates of our bank borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
Bank loans				
From ultimate holding company with floating rate interest	HIBOR plus 1.8%	LIBOR plus 1.6%	LIBOR plus 1.6%	LIBOR plus 1.6%
From other financial institutions with floating rate interest, HIBOR	HIBOR plus 1.8% to 1.9%	HIBOR plus 1.2% to 2.3%	HIBOR plus 1.4% to 2.3%	HIBOR plus 1.4% to 2.3%
From other financial institutions with floating rate interest, LIBOR	LIBOR plus 1.8%	LIBOR plus 1.4% to 1.65%	LIBOR plus 1.4% to 1.6%	LIBOR plus 1.4% to 1.6%
Subordinated loans				
From ultimate holding company	HIBOR plus 0.5% to 1%	HIBOR plus 0.5% to 1%	HIBOR plus 0.5% to 1%	HIBOR plus 0.5% to 1%

The following table sets forth the maturity profile of our bank borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
				(unaudited)
	(HK$ in millions)			
Within one year	2,136.7	2,313.6	4,551.6	4,055.8
Between one and two years	200.0	600.0	1,296.4	1,298.2
Between two and five years	—	841.5	—	—
Total	**2,336.7**	**3,755.1**	**5,848.0**	**5,354.0**

Subordinated Loans

On 25 September 2007 and 26 November 2010, we entered into two revolving subordinated loan facilities with BOCOM and the SFC for an aggregate amount of HK$1,000 million for the purposes of our compliance with the liquid capital requirements under the FRR. The subordinated loans are provided to us by BOCOM through BOCOM (Hong Kong Branch) on arm's length and normal commercial terms. No repayment of the subordinated loans is permitted except with the prior written consent of the SFC.

The Directors have confirmed that there has not been any material change in our indebtedness since 31 March 2017 to the date of this prospectus. During the Track Record Period, we did not have any material default on our indebtedness. As at the Latest Practicable Date, all of our outstanding bank loans and subordinated loans were not subject to any material unusual restrictive covenants.

Apart from the foregoing and save as disclosed in "— *Contingent Liabilities*", we did not have, as at 31 March 2017, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURE

Our capital expenditures principally comprise expenditures for the purchase of property and equipment. The following table sets forth our capital expenditure for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Purchase of property and equipment	4.8	8.8	14.2

A majority of our capital expenditure during the Track Record Period was used for acquiring office equipment to meet daily operation needs. We funded such expenditure primarily with cash generated from our operations.

We estimated that our capital expenditure for 2017 would be approximately HK$25.5 million, which we will use primarily for the purchase of computers and other office equipment for our Hong Kong and Shanghai offices. We expect to fund such capital expenditure with cash generated from our operations.

OPERATING LEASE COMMITMENTS

We lease some of our office properties from third parties under non-cancellable operating leases. The following table sets forth our future aggregate minimum lease payments payable under non-cancellable operating leases as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	(HK$ in millions)		
No later than one year	33.9	46.6	43.0
Later than one year and no later than five years	6.5	82.5	36.9
Total	**40.4**	**129.1**	**79.9**

CONTINGENT LIABILITIES

During the Track Record Period and as at 31 March 2017, we have certain contingent liabilities in relation to a guaranteed return asset management product and legal proceedings. See note 47 of Section II of the Accountant's Report in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of the Directors that each of the related party transactions set out in note 43 of Section II to the Accountant's Report in Appendix I to this prospectus were conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. The Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed in "— *Contingent Liabilities*", as at the Latest Practicable Date, we did not have any outstanding, off-balance sheet guarantees or foreign currency forward contracts.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have designed a risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. See "*Risk Management*" and note 3.1 of Section II of the Accountant's Report in Appendix I to this prospectus for an overview of our risk management processes. The main financial risks we face in the ordinary course of business are market risk (including currency risk, interest rate risk related to fair value, interest rate risk related to cash flow and price risk), credit risk and liquidity risk. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and our actual results may be significantly different from the analyses and results due to events in the global economy or the markets where we operate, as well as other factors described below.

Market Risk

Market risk refers to the adverse effect that normal or specific changes in foreign exchange rates, interest rates, commodity prices or stock prices may have on products involving interest rates, currencies and stocks. Our market risk mainly includes currency risk, interest rate risk and other price risks. Our market risk management aims to manage and monitor market risk, keep the potential losses associated with market risk within an acceptable level and maximise the returns.

Currency risk

We undertake certain transactions denominated in foreign currencies and therefore are exposed to exchange rate fluctuations. Currency risk refers to the risk that our current position with respect to foreign exposure will be affected as a result of fluctuations in major foreign exchange rates. Our currency risk mainly exposes to Renminbi, U.S. dollar and Singapore dollar currently. The exchange rate of the Hong Kong dollar against the U.S. dollar is relatively stable under the current pegged rate system in Hong Kong.

Sensitivity analysis

The following table sets forth details of our sensitivity to a 10% change in the Hong Kong dollar against the relevant foreign currencies. The 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents our management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10% change in the foreign currency rate. A positive number shown below indicates an increase in profit where the Hong Kong dollar weakens against the relevant currency. For a 10% strengthening of the Hong Kong dollar against the relevant currency, there would be an opposite impact on the profit.

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
RMB	11.2	13.6	16.3
Others	1.4	0.6	3.9

Interest rate risk

Our interest rate risks are mainly in relation to our cash flow and fair value of certain assets carried at fixed interest rate.

Interest rate risk related to cash flow

Our interest rate risk related to cash flow involves primarily the "margin loans to customers", "cash and bank balances", "bank loans" and "subordinated loans from the ultimate holding company" as well as interest-bearing "accounts receivable" carried at amortised costs with floating interest rates.

Our interest rate risk related to cash flow is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate ("HIBOR") and the London Interbank Offered Rate ("LIBOR") as its interest-bearing assets and liabilities are mainly Hong Kong dollar and United States dollar denominated. We mainly manage interest rate risk by adjusting our asset portfolio. Our asset portfolio management aims at mitigating risk by diversification of assets. For risks related to interest rates, see "*Risk Factors — Risks Relating to Our Business and Industry — Significant interest rate fluctuations could affect our financial condition and results of operations*".

Sensitivity analysis on the interest rate risks related to cash flow

The following table illustrates the potential impact of a parallel upward or downward shift of 25 basis points in interest rate curves on our net profit for the next 12 months from the dates indicated, based on our positions of interest-earning assets and interest-bearing liabilities as at the dates indicated:

	31 December		
	2014	2015	2016
	(HK$ in millions)		
Impact on profit after taxation			
Increase by 25bps	7.1	6.4	0.5
Decrease by 25bps	(7.1)	(6.4)	(0.5)

Interest rate risk related to fair value

Our interest rate risk related to fair value involves primarily investments in debt securities classified as available-for-sale securities and financial assets at fair value through profit or loss carried at fixed interest rate. We monitor the interest rate risks by quantifying market exposure in duration terms.

Sensitivity analysis on interest rate risk related to fair value

The following table illustrates the potential impact of a parallel upward or downward shift of 25 basis points in interest rate curves on our net profit and equity for the next 12 months from the dates indicated, based on our positions of interest-earning assets and interest-bearing liabilities as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	(HK$ in millions)		
Impact on profit after taxation			
Increase by 25bps	(0.4)	(0.0)	(1.5)
Decrease by 25bps	0.4	0.0	1.9
Impact on equity			
Increase by 25bps	—	(0.7)	(14.6)
Decrease by 25bps	—	0.7	18.0

Other price risk

We are exposed to equity and debt price risk because of investments held by us and classified on the consolidated statement of financial position as available-for-sale, and fair value through profit or loss. The Directors manage the exposure by closely monitoring the portfolio of investments. For the relevant sensitivity analysis, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (a) Market risk — (iv) Other price risk*".

Credit risk

Our credit risk arises from the possibility that a client or counterparty in a transaction may default. Credit exposures arises principally in debt securities, accounts receivable, loans and advances, margin loans to customers, other assets, amount(s) due from the ultimate holding company/subsidiaries/an associate/related parties, other receivables, cash and bank balances and loans to the ultimate holding company/a subsidiary/a related party. In order to minimise the credit risk, we have credit policies in place and exposure to this risk is monitored on an ongoing basis. We employ a range of policies and practices to mitigate credit risk. See "*Risk Factors — Risks Relating to Our Business and Industry — Our investment and loans business is subject to market volatility and our investment decisions*" and "*Risk Management — Monitoring and Management of Major Risks — Credit Risk Management*".

Our Credit Committee is mainly in charge of the risk management of our securities brokerage and margin financing business and the implementation of our credit risk policies. The primary responsibilities of our Credit Committee include: (i) monitoring our risk management performance with reference to the various risk indicators, such as the loan-to-margin ratio and loan-to-value ratio, the percentage of margin loans attributable to our top 20 customers by loan balance, and margin loan balance attributable to a single client; (ii) maintaining a list of shares qualified as collateral for our margin financing business and reviewing such list periodically; (iii) approving customers' applications on trading limit and credit limit; and (iv) developing risk management policies for transactions of cash accounts and institutional clients as well as settlement arrangements.

Our Risk Management Committee is primarily responsible for designing our risk management structure and strategies for our principal businesses, reviewing and monitoring the implementation of risk management policies for our principal businesses, identifying risks and updating our risk management policies in response to changes. The Credit Risk Team of the Risk Management Department is responsible for the credit risk management of our securities brokerage and margin financing business, participating in the review process and supervising the relevant risk management work.

We seek to control our credit risk exposure within our tolerance level and maximise our risk-adjusted returns by identifying, quantifying, monitoring and managing credit risk based on our risk preference and net capital level. We have established a credit risk management framework covering all stages from due diligence, credit review and collateral management to post-loan credit examination. We monitor the loan-to-margin ratio and loan-to-value ratio on a regular basis of each client to whom we have provided financing and take appropriate actions to recover or minimise our losses. A daily report on each client's outstanding loan amount, value of the collateral and loan-to-margin and loan-to-value ratio is generated for our ongoing monitoring and review. We have utilised tools such as limit indicators, admission criteria, due diligence standards and internal audit requirements in developing our business in accordance with our risk appetite.

The following table sets forth our maximum credit risk exposure before collateral held or other credit enhancement as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	(HK$ in millions)		
Other assets	27.4	34.4	28.7
Loans and advances	38.8	26.7	—
Accounts receivable	879.6	1,158.6	585.0
Other receivables	50.1	50.6	66.4
Margin loans to customers	4,548.1	4,913.3	5,123.3
Amount due from an associate	2.4	3.4	—
Amount due from related parties	—	0.9	16.1
Held-to-maturity investments — debt	—	902.9	—
Available-for-sale investments — debt	—	102.2	1,624.4
Financial assets at fair value through profit or loss — debt	104.6	4.1	400.8
Derivative financial assets	0.2	—	0.3
Cash and bank balances	317.7	859.7	504.1
	5,968.9	**8,056.8**	**8,349.1**

Liquidity Risk

Liquidity risk refers to the risk of our failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay due debts, perform other payment obligations and satisfy the capital requirements to carry on our businesses in the ordinary course. We manage our liquidity risk with the aim to maintain sufficient cash and marketable securities, ensure the availability of funding through an adequate amount of credit facilities, and assess the ability to close out market positions.

Our Finance and Accounting Department is responsible for compiling a daily cash position report in which the information of bank balances and loan balances of different maturities, expected cash inflows and outflows and outstanding loan facilities are all forecasted and computed. Based on such report, our Finance and Accounting Department monitors daily liquidity risk and foresees if any funding is required. In addition, some of our subsidiaries are regulated by the SFC, and these subsidiaries' liquid capital is calculated and assessed daily to comply with the FRR.

For details of the relevant maturities analysis, see "*Appendix I — Accountant's Report — II. Notes to the Financial Information — 3. Financial risk management — 3.1 Financial risk factors — (c) Liquidity risk*".

SENSITIVITY ANALYSIS

We set forth below the sensitivity analysis on our profits in relation to: (i) commission rates (for our securities brokerage and underwriting business); (ii) interest rates (for our margin financing business); and (iii) management and advisory fees (for our asset management and advisory business), the fluctuation of which will have a direct effect on our profitability.

Commission Rates

The commission rate is a key variable of our securities brokerage income and underwriting fee income. The table below indicates the impacts on our net profit of a 10% change in the commission rates for our securities brokerage and underwriting businesses in both directions, assuming all other variables remain constant, for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Impact on net profit			
+10%	18.8	41.5	23.1
-10%	(18.8)	(41.5)	(23.1)

Interest Rates

The interest income from margin financing depends on the interest rates we charge and the outstanding margin loan balance. The table below indicates the impacts on our net profit of a 50bps change in the interest rates charged for our margin financing business in both directions, assuming all other variables remain constant, for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Impact on net profit			
+50bps	19.8	21.8	19.8
-50bps	(19.8)	(21.8)	(19.8)

Management and Advisory Fees

The asset management income depends on the existing AUM and projects under negotiation where the rates charged are determined in accordance with the nature of the investment portfolios. Our advisory business income depends on the nature of the advisory services involved, relationship and potential business opportunities with the clients and length of work. The table below indicates the impacts on our net profit of a 10% change in the asset management and advisory fee in both directions, assuming all other variables remain constant, for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	(HK$ in millions)		
Impact on net profit			
+10%	0.8	2.8	10.8
-10%	(0.8)	(2.8)	(10.8)

CAPITAL RISK MANAGEMENT

Our objectives when managing capital are:

- to comply with the requirements of the SFO for our licensed subsidiaries in carrying out various types of regulated activities;
- to support our stability and growth;
- to optimise risk adjusted return to the shareholders; and
- to maintain a strong capital base to support the development of our business.

Our subsidiaries licensed under the SFO are also required to maintain adequate financial resources to support their businesses. The FRR requires a licensed corporation to maintain liquid capital which is not less than its required liquid capital. During the Track Record Period, our licensed subsidiaries were regulated by the SFC and complied with the statutory capital requirement.

We manage our capital to ensure that we will be able to continue as a going concern while maximising the return to shareholders. Our capital structure consists of share capital and reserves. Our overall strategy remains unchanged throughout the Track Record Period.

We have a capital allocation policy. The Directors, the Finance and Accounting Department and the Risk Management Department hold discussions at the beginning of each year to set the absolute and relative exposure limits of capital to different classes of assets, after analysing the capital needs, potential returns and business risks of different segments of our business. The usage and allocation of capital will be closely scrutinised to make sure they do not deviate from the plan. The purpose of this policy is to maximise the shareholders' return within a controllable risk level.

The table below sets forth the gearing ratio (which is calculated as total borrowings divided by total equity) as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	(HK$ in millions, except percentages)		
Total borrowings	2,336.7	3,755.1	5,848.0
Total equity	3,302.1	3,644.9	3,986.1
Gearing ratio	70.8%	103.0%	146.7%

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, no dividends had been declared and paid by the companies comprising the Group. During the Track Record Period, we did not have any dividend policy and we do not currently have any dividend policy in place. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The Directors may recommend a payment of dividend in the future after taking into account various factors, including our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements, our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors the Board deems relevant.

As a result, there can be no assurance that any particular amount of dividends, or any dividend at all, will be declared or paid in the future. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent that profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As at 31 December 2016, we had HK$1,995.4 million in retained earnings, as determined under HKFRSs, available for distribution to the Shareholders.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, incentive fees, and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by the Company are estimated to be approximately HK$105.2 million (assuming an Offer Price of HK$2.85 per Share (being the mid-point of the Offer Price Range) and no exercise of the Over-allotment Option), of which approximately HK$55.4 million is directly attributable to the issue of the Shares to the public and to be capitalised, and approximately HK$49.8 million is expected to be reflected in our income statements. We have paid and will pay BOCOM International Asia a sponsor fee of HK$2.0 million in total and such fee had been and will be eliminated in our consolidated financial statements. In 2016, we had incurred listing expenses of HK$15.0 million which had been expensed in our consolidated income statements. The Directors do not expect the listing expenses to materially impact our results of operations for 2017.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2016, as if the Global Offering had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2016 or any future date.

	Audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2016[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets of the Group attributable to the shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share[3]
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$2.60 per Share	3,978,450	1,647,010	5,625,460	2.11
Based on an Offer Price of HK$3.10 per Share	3,978,450	1,972,657	5,951,107	2.23

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2016 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2016 of HK$3,981,646 thousand with an adjustment for the intangible assets as at 31 December 2016 of HK$3,196 thousand. On 15 March 2017, one of the wholly owned subsidiaries of the Group, BOCOM International (Asia) Limited, was fined HK$15,000 thousand by the SFC for failing to discharge its duties as a sponsor in relation to a listing application. As the SFC investigation started during the year ended 31 December 2016, a provision of HK$15,000 thousand has been made for the year then ended to reflect this event after the reporting period.

(2) The estimated net proceeds for the purpose of unaudited pro forma adjusted net tangible assets of the Group are based on the indicative Offer Price of HK$2.60 and HK$3.10 per Share, respectively, after deduction of the underwriting fees and other related expenses to be paid by the Company (excluding the expenses which have been charged to profit or loss up to 31 December 2016) and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,666,680,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2016 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2016.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since 31 December 2016 and there has been no event since 31 December 2016 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

SHARE CAPITAL

All of the issued shares in the Company comprise fully paid ordinary shares. Pursuant to the Companies Ordinance, with effect from 3 March 2014, companies incorporated in Hong Kong no longer have an authorised share capital and there is no longer the concept of par value in respect of issued shares.

As at the date of this prospectus, the Company's issued and paid-up share capital was HK$2,000,000,000.

Details of the issued share capital of the Company immediately before and following the completion of the Global Offering are set out below:

	Number of Shares	
	Assuming the Over-allotment Option is exercised in full	**Assuming the Over-allotment Option is not exercised**
Issued and to be issued, fully paid or credited as fully paid		
Shares in issue as at the date of this prospectus	2,000,000,000	2,000,000,000
Shares to be issued pursuant to the Global Offering	766,682,000	666,680,000
Total	2,766,682,000	2,666,680,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by the Company following the completion of the Global Offering.

GENERAL MANDATES GRANTED TO THE DIRECTORS

Subject to the Global Offering becoming unconditional, general mandates have been granted to the Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, see "*Appendix V — Statutory and General Information*".

So far as is known to any Director or chief executive of the Company as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full), the following persons (other than a Director or chief executive of the Company) will have an interest and/or short position (as applicable) in the 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 will, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Shares are listed on the Stock Exchange:

Interests and Long Positions in Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage (%)
BOCOM (Nominee)[1]	Trustee (other than a bare trustee)	1,999,500,000	72.27%
BOCOM[2]	Interest in controlled entity	2,000,000,000	72.29%

Notes:

(1) BOCOM (Nominee) is a subsidiary of BOCOM and holds the Shares on trust for BOCOM.

(2) Expectation Investment is an indirect subsidiary of BOCOM and is the beneficial owner of 500,000 Shares. BOCOM is deemed to be interested in an aggregate of 2,000,000,000 Shares which BOCOM (Nominee) is interested in as trustee (other than a bare trustee) and which Expectation Investment is interested in as beneficial owner immediately following the completion of the Global Offering.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company is aware of any other person who will, immediately following the completion of the Global Offering, have an interest or short position in the 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 is, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

In this section, unless otherwise specified, the financial information in relation to any entity within the BOCOM Group is based solely on the unaudited information provided by the BOCOM Group.

OVERVIEW

Immediately following the completion of the Global Offering, BOCOM (through its wholly-owned subsidiaries) will have an interest in approximately 75% of the Shares in issue (assuming the Over-allotment Option is not exercised) and approximately 72.29% of the Shares in issue (assuming the Over-allotment Option is exercised in full). Accordingly, the Company will remain as a subsidiary of BOCOM, and BOCOM together with its wholly-owned subsidiaries BOCOM (Nominee), Bank of Communications Trustee Limited, Kiu Fai Company Limited and Expectation Investment will be the controlling shareholders of the Company. See *"History and Corporate Structure"* for the simplified corporate structure of the Group.

BACKGROUND OF BOCOM

BOCOM was founded in 1908 and is the first nationwide state-owned joint stock commercial bank in the PRC. The H shares and A shares of BOCOM have been listed on the Stock Exchange (stock code: 3328) and the Shanghai Stock Exchange (stock code: 601328) since 2005 and 2007, respectively.

BOCOM is a major financial services provider in the PRC and provides a broad range of corporate and retail banking products and services on its own account and through its wholly-owned subsidiaries, non wholly-owned subsidiaries and associates. Its scope of business comprises corporate banking, personal banking, treasury business and other businesses. As a major commercial bank, the BOCOM Group has a diverse client base, encompassing state-owned enterprises, private enterprises, government agencies, other institutional customers, corporates, small and medium enterprises and individuals.

Based on the consolidated audited financial statements of BOCOM prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2016, the total assets, the aggregate of the net interest income and net fee and commission income, the profit before tax and the net profit of BOCOM and its subsidiaries were approximately RMB8,403,166 million, RMB171,666 million, RMB86,110 million and RMB67,651 million, respectively.

INDEPENDENCE OF THE GROUP FROM THE BOCOM GROUP

The Directors are of the view that the Group is able to carry on its business independently from the BOCOM Group following the completion of the Global Offering on the following basis:

(a) Clear Delineation between the Business of the Group and the Business of the BOCOM Group

The BOCOM Group is a major financial services provider in the PRC and provides a broad range of corporate and retail banking products and services, whereas the Group's businesses are focused on securities brokerage and margin financing, corporate finance and underwriting, investment and loans as well as asset management, consisting primarily of regulated activities under the SFO. Both the Group and the BOCOM Group are financial institutions and they participate, in their respective ordinary course of business, in the following broadly categorised market segments within the financial services industry:

(1) securities brokerage and margin financing in Hong Kong;

(2) asset management in Hong Kong;

(3) debt capital market in Hong Kong;

(4) investment and loans business in Hong Kong and the PRC;

(5) asset management in the PRC; and

(6) financial advisory in the PRC.

Each of the above market segments is by itself an open market which is of a significantly large scale. Other than the Group and the BOCOM Group, there is a very large number of market participants in each of these market segments. The respective market share of the Group and the BOCOM Group in each of these market segments is relatively insignificant.

The Directors are of the view that in each of these broadly categorised market segments, due to the enormous size of the market, neither the Group nor the BOCOM Group accounts for any significant share in such market that could create direct competition between the two groups, and any potential competition between the BOCOM Group and the Group in each of these market segments is no different from the competition with any independent third party participating in these market segments, and does not constitute material competition to the Group.

In addition, during the Track Record Period, the revenue and profit after taxation from the Group's businesses in the PRC only contributed an insignificant proportion of the Group's total revenue and other income and profit after taxation. For the years ended 31 December 2014, 2015 and 2016, revenue from the Group's PRC businesses amounted to approximately HK$8.3 million, HK$29.3 million and HK$75.1 million, respectively, representing approximately 1.1%, 2.6% and 7.1% of the total revenue and other income of the Group, respectively. For the years ended 31 December 2014, 2015 and 2016, the profit after taxation from the Group's PRC businesses represented approximately 0.0%, 0.0% and 8.9% of the profit after taxation of the Group, respectively. Accordingly, any potential competition between the respective businesses of the Group and the BOCOM Group in each of the above market segments in the PRC does not constitute any material competition to the Group as a whole.

In addition, in respect of each of the above market segments, the business of the Group can be further delineated from the business of the BOCOM Group in the following manner:

Securities brokerage and margin financing in Hong Kong

(i) Securities brokerage in Hong Kong

The Group conducts its securities brokerage business in Hong Kong through BOCOM International Securities. The BOCOM Group conducts its securities brokerage business in Hong Kong through BOCOM (Hong Kong Branch). Both BOCOM International Securities and BOCOM are licensed or registered under the SFO to conduct the regulated activity of dealing in securities in Hong Kong.

Since BOCOM International Securities is an Exchange Participant and a CCASS Participant, it is able to independently conduct settlement and clearance of securities brokerage transactions with CCASS. Although BOCOM is registered under the SFO to conduct the regulated activity of dealing in securities, it is neither an Exchange Participant nor a CCASS Participant and is therefore not able to independently conduct settlement and clearance of securities brokerage transactions with CCASS. BOCOM (Hong Kong Branch) has confirmed that it does not have any current intention to make an application to become an Exchange Participant or a CCASS Participant.

The key target customers of BOCOM (Hong Kong Branch) for its securities brokerage business comprise retail and commercial banking clients, while the key target customers of the Group for its securities brokerage business comprise institutional clients and non-retail and non-commercial banking clients who are generally more familiar with the financial markets and have a higher level of risk tolerance. The respective target customers of BOCOM (Hong Kong Branch) and the Group for securities brokerage business generally have different wealth management requirements and risk appetite.

Instead of competing with each other, the respective securities brokerage business of the Group and BOCOM (Hong Kong Branch) are complementary to each other. In 2013, the Company and BOCOM (Hong

Kong Branch) entered into a business cooperation agreement in respect of settlement of securities brokerage transactions and new shares subscription. The terms of this business cooperation agreement were amended in 2015. The Company and BOCOM (Hong Kong Branch) entered into a new business cooperation agreement on 25 April 2017 (the "**Business Cooperation Agreement**"). Pursuant to the Business Cooperation Agreement, among other things, (i) BOCOM (Hong Kong Branch) will refer not less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement, and the Group agreed to provide such services at varying commission and fee rates at a range from 0.01% to 0.02% of the transaction value, depending on the actual aggregate monthly transaction value of the referred transactions. The Directors have reviewed the terms on which BOCOM (Hong Kong Branch) obtained similar securities trading and brokerage settlement services from another securities firm and are of the views that the commission and fee rates under the Business Cooperation Agreement are on normal commercial terms and are in line with the rates for similar services provided in the market; and (ii) BOCOM (Hong Kong Branch) will use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers (the "**New Shares Subscription Arrangement**"), and the Group will on-pay the entire gross brokerage commission received therefrom to BOCOM (Hong Kong Branch). The New Shares Subscription Arrangement is an integrated part of the overall arrangements between the Group and BOCOM (Hong Kong Branch) under the Business Cooperation Agreement, which include the referral of securities brokerage transactions by BOCOM (Hong Kong Branch) to the Group for securities trading and brokerage settlement at specified commission and fee rates. The use of the broker number of the Group by BOCOM (Hong Kong Branch) will not involve any significant additional costs to the Group. In light of the above, the arrangements under the Business Cooperation Agreement are on normal commercial terms and in the interest of the Shareholders as a whole. For the purpose of operational risk diversification, BOCOM (Hong Kong Branch) will refer the remaining securities brokerage transactions on the Stock Exchange of its customers to other securities firms which are independent third parties for securities trading and brokerage settlement, and BOCOM (Hong Kong Branch) will not engage in securities trading and brokerage settlement by itself.

The Business Cooperation Agreement will expire on 31 December 2019 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the Business Cooperation Agreement. The Group will ensure that the terms of the Business Cooperation Agreement will not be inconsistent with the terms of the Financial Services Framework Agreement relating to the provision by the Group of certain financial services to the BOCOM Group (including any terms regarding the pricing policies that apply to the relevant transactions), as amended and renewed from time to time. See "*Connected Transactions — Non-exempt Continuing Connected Transactions — Financial Services Framework Agreement"* for details of the Financial Services Framework Agreement.

For each of the years ended 31 December 2014, 2015 and 2016, BOCOM (Hong Kong Branch) generated total brokerage commission of approximately HK$169.8 million, HK$261.3 million and HK$147.8 million, respectively. Of the total brokerage commission of BOCOM (Hong Kong Branch), approximately HK$88.8 million, HK$225.4 million and HK$135.2 million were generated from the securities brokerage transactions of its customers referred to the Group for securities trading and brokerage settlement and the use of the Group's broker number for subscription of new shares by the customers of BOCOM (Hong Kong Branch), which represented approximately 0.2%, 0.6% and 0.3% of the net fee and commission income of the BOCOM Group, respectively. For each of the years ended 31 December 2014, 2015 and 2016, the Group generated brokerage commission of approximately HK$30.5 million, HK$21.5 million and HK$8.2 million from the securities brokerage transactions of BOCOM (Hong Kong Branch)'s customers referred to the Group for securities trading and brokerage settlement and the use of the Group's broker number for subscription of new shares by the customers of BOCOM (Hong Kong Branch), which represented only approximately 3.9%, 1.9% and 0.8% of the total revenue and other income of the Group, respectively.

For each of the years ended 31 December 2014, 2015 and 2016, the revenue from the securities brokerage business of BOCOM (Hong Kong Branch) accounted for less than 5% of the total revenue of BOCOM (Hong Kong Branch).

The securities brokerage business of BOCOM (Hong Kong Branch) is an integral part of the general banking services offered by BOCOM (Hong Kong Branch) to its customers. In light of the above arrangements under which BOCOM (Hong Kong Branch) does not itself engage in the settlement of securities brokerage transactions, the Directors are of the view that it is impracticable and unduly burdensome for BOCOM (Hong Kong Branch) to inject its securities brokerage business to the Group in order for BOCOM (Hong Kong Branch) to cease to be a participant in the Hong Kong securities brokerage market. In addition, the Group holds all the relevant licences and qualifications (including the qualifications as an Exchange Participant and CCASS Participant) required for conducting its securities brokerage business in Hong Kong. The Group has its own team of qualified employees dedicated to operate its securities brokerage business in Hong Kong independently. The Group also owns or has the right to use all the material operational facilities and technologies relating to the Group's securities brokerage business and has sufficient capital, facilities and employees to operate its securities brokerage business independently of the BOCOM Group.

In light of the above, the Directors are of the view that the business cooperation arrangements between the Group and BOCOM (Hong Kong Branch) in respect of settlement of securities brokerage transactions and the New Shares Subscription Arrangement set out above are complementary and not competing in nature, and are in the interests of both the Group and BOCOM (Hong Kong Branch). In addition, such business cooperation arrangements ensure that there is a clear allocation of responsibilities and delineation of the roles of the Group and the BOCOM Group in relation to the settlement of securities brokerage transactions and subscriptions of new shares and therefore, address any potential competition between the Group and the BOCOM Group in relation to their respective securities brokerage businesses in Hong Kong. In light of the above, the Directors are of the view that BOCOM (Hong Kong Branch)'s securities brokerage business does not compete and is not likely to compete, directly or indirectly, with the Group's securities brokerage business.

(ii) Margin financing in Hong Kong

BOCOM International Securities provides margin financing to its customers in Hong Kong as part of the securities brokerage-related services that it offers. BOCOM (Hong Kong Branch) provides margin financing to its customers in Hong Kong as a complementary part of the general retail and commercial banking services that it offers. To the best knowledge of the Directors after making reasonable enquiries, as at the Latest Practicable Date, BOCOM (Hong Kong Branch) was the only entity within the BOCOM Group that conducted margin financing business in Hong Kong.

For each of the years ended 31 December 2014, 2015 and 2016, the Group generated interest income of approximately HK$369.3 million, HK$393.0 million and HK$331.9 million from its margin financing business in Hong Kong, which accounted for approximately 47.2%, 34.5% and 31.5% of the total revenue and other income of the Group, respectively. For each of the years ended 31 December 2014, 2015 and 2016, BOCOM (Hong Kong Branch) generated interest income of approximately HK$22.3 million, HK$40.0 million and HK$6.6 million from its margin financing business in Hong Kong, which accounted for approximately 0.0%, 0.0% and 0.0% of the net interest income of the BOCOM Group, respectively. The margin financing business of BOCOM (Hong Kong Branch) in Hong Kong did not have any significant financial contribution to the BOCOM Group as a whole.

For each of the years ended 31 December 2014, 2015 and 2016, more than 98% of the interest income from the margin financing business of the Group was derived from margin financing for secondary market transactions. For each of the years ended 31 December 2014, 2015 and 2016, more than 95% of the interest income from the margin financing business of BOCOM (Hong Kong Branch) was derived from margin financing for subscription of new shares in initial public offerings and rights issues. Margin financing for initial public offering transactions and margin financing for secondary market transactions are substantially different in nature. The risk of eventual margin top-up or forced liquidation in margin financing for initial public offering transactions is considerably lower than that for margin financing for secondary market transactions. BOCOM (Hong Kong Branch)'s business of providing margin financing for initial public offering transactions is relevant for BOCOM (Hong Kong Branch) in competing for mandates to act as a receiving bank in initial public offerings, a business which the Group is not engaged in. The client base is generally different for the respective margin financing business of BOCOM International Securities and BOCOM (Hong Kong Branch). BOCOM

International Securities' clients for margin financing tend to have different focuses of investments in the capital markets from, and have a higher level of risk tolerance than, BOCOM (Hong Kong Branch)'s retail and commercial banking clients. The two groups' respective clients generally have different wealth management requirements and risk appetite.

Accordingly, the Directors are of the view that margin financing for initial public offering transactions and margin financing for secondary market transactions which contributed to a substantial proportion of the total interest income for the respective margin financing business of BOCOM (Hong Kong Branch) and the Group during the Track Record Period are not in direct competition with each other.

Further, the margin financing market in Hong Kong is an open and sizeable market, and it is able to accommodate a large number of market participants. The respective market share of the Group and the BOCOM Group in the Hong Kong margin financing market is insignificant. Neither the Group nor the BOCOM Group accounts for any significant share in the market that could create direct competition between the two groups, and any potential competition from the BOCOM Group in the Hong Kong margin financing market is no different to the competition faced by the Group from an independent third party participating in the market.

After making reasonable enquiries with BOCOM (Hong Kong Branch), as at 31 December 2016, certain customers of the Group had also obtained securities brokerage services or margin financing from BOCOM (Hong Kong Branch), and the revenue derived by the Group from such overlapping customers accounted for less than 4% of the revenue from the securities brokerage and margin financing businesses of the Group and less than 2% of the total revenue and other income of the Group for the year ended 31 December 2016. For the same period, the revenue derived by BOCOM (Hong Kong Branch) from such overlapping customers was immaterial to the total revenue of BOCOM (Hong Kong Branch) or the aggregate of the net interest income and net fee and commission income of the BOCOM Group.

In order to maintain a clear delineation between the margin financing businesses of the Group (on the one hand) and the margin financing businesses of the BOCOM Group (on the other hand) following the Listing, the Company and BOCOM (Hong Kong Branch) entered into a referral agreement dated 25 April 2017 (the "**Referral Agreement**") pursuant to which BOCOM (Hong Kong Branch) has undertaken to refer to the Group for its consideration to undertake all margin financing for secondary market transactions of existing and new customers of BOCOM (Hong Kong Branch), except margin financing for secondary market transactions of private banking customers of BOCOM (Hong Kong Branch).

The Referral Agreement will come into effect on the Listing Date and will terminate on the earlier of:

(a) the date on which BOCOM, directly or indirectly, is interested, in less than 30% of the Shares in issue; and

(b) the date on which the Shares cease to be listed on the Stock Exchange.

The Company has adopted certain measures to ensure the proper operation of the arrangements under the Referral Agreement. See *"— Measures Adopted to Ensure the Proper Operation of the Referral Agreement"* below.

For each of the years ended 31 December 2014, 2015 and 2016, more than 95% of the interest income from the margin financing business of BOCOM (Hong Kong Branch) was derived from margin financing for subscription of new shares in initial public offerings and rights issues. BOCOM (Hong Kong Branch) provides margin financing for secondary market transactions to its private banking customers only as part of its integrated one-stop shop services tailored for the particular investment needs and objectives of its private banking clients. Generally, private banking customers require banking services that offer a higher degree of convenience and exclusivity and close monitoring and coordination by designated relationship managers. It is consistent with the market practice to include margin financing in the integrated banking services offered by BOCOM (Hong Kong Branch) to its private banking clients. In addition, the Group does not currently operate and does not have the requisite regulatory licences to operate a private banking business in Hong Kong. The Directors are of the view

that excluding the private banking clients of BOCOM (Hong Kong Branch) from the scope of the Referral Agreement is reasonable in light of the different nature and attributes of the banking services customarily provided to private banking clients and will not have a material adverse impact on the Group's overall business.

The Directors are of the view that in light of the above business delineation, there is no material competition between the Group and the BOCOM Group in the securities brokerage and margin financing businesses in Hong Kong.

Asset management in Hong Kong

The Group, through BOCOM International Asset Management, conducts its asset management business in Hong Kong which consists of mutual fund management, specialised asset management and private equity fund management and collects management fee and performance fee (if applicable) for its products and services. As at 31 December 2016, BOCOM International Asset Management managed three mutual funds, including two equity funds and one debt fund, with total AUM of HK$643.4 million. The mutual funds have been authorised by the SFC pursuant to Section 104 of the SFO but they have not been authorised to be marketed in the PRC through the channel of "Mainland-Hong Kong Mutual Recognition of Funds". For each of the years ended 31 December 2014, 2015 and 2016, the revenue from the asset management business in Hong Kong amounted to approximately HK$5.4 million, HK$7.9 million and HK$56.6 million, respectively, representing approximately 0.7%, 0.7% and 5.4% of the Group's total revenue and other income, respectively. The asset management business in Hong Kong did not have a material contribution to the revenue of the Group as a whole.

Bank of Communications Schroder Fund Management Co., Ltd. ("Bank of Communications Schroder Fund Management") is a limited company incorporated in the PRC. As at the Latest Practicable Date, BOCOM, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd. held a 65%, 30% and 5% interest in Bank of Communications Schroder Fund Management, respectively. The scope of business of Bank of Communications Schroder Fund Management includes fundraising, fund sales, asset management and other services approved by the CSRC. Bank of Communications Schroder Fund Management offers asset management products mainly in the PRC. Bank of Communications Schroder Fund Management, through its wholly-owned subsidiary BOCOM Schroder Asset Management (Hong Kong) Company Limited which was incorporated under the laws of Hong Kong, markets only an insignificant proportion of its asset management products in Hong Kong. As at 31 December 2016, only two fund products managed by Bank of Communications Schroder Fund Management was authorised to be marketed in Hong Kong through the channel of "Mainland-Hong Kong Mutual Recognition of Funds", the AUM of which accounted for only less than 0.0% of the total AUM of Bank of Communications Schroder Fund Management.

All of the mutual funds offered by the Group in Hong Kong were initially authorised by the SFC pursuant to section 104 of the SFO, while the funds offered by the BOCOM Group were not initially authorised under section 104 of the SFO. Only an insignificant proportion of the funds offered by the BOCOM Group initially in the PRC have been approved to be marketed in Hong Kong through the "Mainland-Hong Kong Mutual Recognition of Funds". The Directors are of the view that there is a clear delineation between the funds offered by the Group and the BOCOM Group by the geographical area in which they were initially offered.

BCOM Finance (Hong Kong) Limited, a wholly-owned subsidiary of BOCOM, is engaged in the business of managing mandatory provident funds and charitable funds and does not manage mutual funds authorised by the SFC pursuant to Section 104 of the SFO. The funds managed by BOCOM International Asset Management and BCOM Finance (Hong Kong) Limited are different in nature.

The Directors are of the view that in light of the above business delineation, there is no material competition between the Group and the BOCOM Group in the asset management market in Hong Kong.

Debt capital market in Hong Kong

As part of the debt capital markets business, the Group provides to its clients underwriting services in respect of a wide range of fixed income products including public and private placement debt instruments for

corporate and financial issuers, which include senior and subordinated debt issuance for financial institutions and enterprises mainly in Hong Kong and the PRC, and the services are not restricted to include mainly bonds of investment-grade. The Group has established a distribution network for fixed income products that covers various investors such as commercial banks, insurance companies and fund management companies located principally in Hong Kong. The funds for the debt capital market business of the Group in Hong Kong originate from investors in different jurisdictions. While the bonds are mainly offered to investors in Hong Kong, they are also offered to investors in other jurisdictions depending on the applicable selling restrictions in a particular bond offering and in accordance with the applicable regulatory requirements. During the Track Record Period, the Group did not sell any bonds to onshore investors in the PRC (except QDII) and the Group is not aware of any source of funds transmitted from the PRC domestically for investment in the bonds underwritten by the Group.

BOCOM (Hong Kong Branch) is engaged in underwriting fixed income products in its ordinary course of business mainly for internal treasury and proprietary purposes. The fixed income products underwritten by BOCOM (Hong Kong Branch) comprise mainly bonds of investment-grade.

For each of the years ended 31 December 2014, 2015 and 2016, the revenue from underwriting fixed income products amounted to HK$5.2 million, HK$18.0 million and HK$41.8 million, respectively, representing approximately 0.7%, 1.6% and 4.0% of the Group's total revenue and other income, respectively. Underwriting fixed income products did not have a material contribution to the revenue of the Group as a whole. For each of the years ended 31 December 2014, 2015 and 2016, the revenue generated from the debt capital market business in Hong Kong accounted for less than 1% of the total revenue of BOCOM (Hong Kong Branch). The debt capital market business in Hong Kong did not constitute a material business of BOCOM (Hong Kong Branch) or the Group as a whole in terms of revenue contribution.

Further, the Hong Kong debt capital market is by itself an open market which is of a significantly large scale. Other than the Group and BOCOM (Hong Kong Branch), there is a very large number of market participants in the market. Neither the Group nor BOCOM (Hong Kong Branch) is able to account for a significant market share that could create direct competition between the two groups in such market, and any potential competition from BOCOM (Hong Kong Branch) to the Group in the Hong Kong debt capital market is no different to the competition faced by the Group from an independent third party participating in such market.

The Directors are of the view that in light of the above business delineation, there is no material competition between the Group and the BOCOM Group in the Hong Kong debt capital market.

Investment and loans business in Hong Kong and the PRC

Both the Group and the BOCOM Group undertake certain proprietary investments for its own account in Hong Kong and the PRC in their respective ordinary course of business. During the Track Record Period, the BOCOM Group did not directly compete with the Group in any investment opportunities or projects.

Based on the audited consolidated financial statements of BOCOM, for each of the years ended 31 December 2014, 2015 and 2016, the BOCOM Group generated investment income from its non-treasury businesses of approximately RMB303 million, RMB1,526 million and RMB453 million, respectively, which accounted for approximately 0.17%, 0.79% and 0.23% of the operating income of the BOCOM Group, respectively. For each of the years ended 31 December 2014, 2015 and 2016, the Group generated revenue of approximately HK$39.7 million, HK$9.8 million and HK$169.9 million from investments in Hong Kong and the PRC, respectively, which accounted for approximately 5.1%, 0.9% and 16.1% of the total revenue and other income of the Group, respectively.

Each of the Hong Kong investment market and the PRC investment market is by itself an open market which is of a significantly large scale. There is a wide range of different types of investments that may be undertaken in such markets. It is common for multiple investors to invest in the same target company. Other than the Group and the BOCOM Group, there is a very large number of market participants in such markets. Investments conducted by the Group and the BOCOM Group in the secondary market are typically carried out through the open market, which means that the two groups compete with all market participants rather than

specifically with each other. Irrespective of whether the subject of the investment is listed or unlisted, neither the Group nor the BOCOM Group is able to account for a significant market share that could create direct competition between the two groups in such markets, and any potential competition from the BOCOM Group to the Group in each of the Hong Kong investment market and the PRC investment market is no different to the competition faced by the Group from an independent third party participating in such market.

Apart from undertaking proprietary investments, the Group also provides structured finance and loans to both private and listed enterprises in Hong Kong. The structured finance includes pre-IPO financing, financing relating to offshore M&As, privatisation and management buy-out and other investment banking related businesses. For each of the years ended 31 December 2014, 2015 and 2016, the revenue from the structured finance and loans business amounted to approximately HK$7.0 million, HK$0.1 million and HK$34.7 million, respectively, representing approximately 0.9%, 0.0% and 3.3% of the Group's total revenue and other income, respectively. The structured finance and loans business did not have a material contribution to the revenue of the Group as a whole.

As a licensed bank in Hong Kong, BOCOM (Hong Kong Branch) provides various types of loans and financing including bridge loans and loans for mergers and acquisitions to a wide range of commercial and retail banking clients. The client base for loans and financing is inherently different for the Group and the BOCOM Group. The acceptable level of credit risk exposure in the structured finance and loans business for the Group is relatively higher than that of BOCOM (Hong Kong Branch) as the Group does not adopt the conventional commercial banking loan approval system. For each of the years ended 31 December 2014, 2015 and 2016, the revenue from the business of pre-IPO bridge loans and structured financing of BOCOM (Hong Kong Branch) accounted for less than 2% of the total revenue of BOCOM (Hong Kong Branch).

The Hong Kong structured finance and loans market is by itself an open market which is of a significantly large scale. Other than the Group and BOCOM (Hong Kong Branch), there is a very large number of market participants in the market. Neither the Group nor BOCOM (Hong Kong Branch) is able to account for a significant market share that could create direct competition between the two groups in such market, and any potential competition from BOCOM (Hong Kong Branch) to the Group in the Hong Kong structured finance and loans market is no different to the competition faced by the Group from an independent third party participating in such market.

The Directors are of the view that in light of the above business delineation, there is no material competition between the Group and the BOCOM Group in each of the Hong Kong investment market, the PRC investment market and the structured finance and loans market in Hong Kong.

Asset management in the PRC

BOCOM International (Shanghai) is engaged in asset management business in the PRC. BOCOM International (Shanghai) acts as fund managers and operates RMB private equity investment funds.

For the years ended 31 December 2014, 2015 and 2016, the AUM of the RMB private equity investment funds of BOCOM International (Shanghai) amounted to approximately HK$97.4 million, HK$1,299.2 million and HK$4,126.7 million, respectively. For the years ended 31 December 2014, 2015 and 2016, revenue from the Group's asset management business in the PRC amounted to approximately nil, HK$8.0 million and HK$24.4 million, respectively, representing approximately 0%, 0.7% and 2.3% of the total revenue and other income of the Group, respectively. Asset management in the PRC did not have a material contribution to the total revenue and other income of the Group as a whole.

Certain entities within the BOCOM Group participate in the asset management market in the PRC, on their own or through joint ventures with other parties, among which BOCOM Schroder Asset Management Company Limited and Bocommtrust Asset Management Co., Ltd. offer RMB private equity investment funds in the PRC:

- The scope of business of Bank of Communications Schroder Fund Management includes fundraising, fund sales, asset management and other services approved by the CSRC. During the Track Record Period, Bank of Communications Schroder Fund Management did not manage RMB private equity investment funds which is a key business of BOCOM International (Shanghai).

- BOCOM Schroder Asset Management Company Limited ("BOCOM Schroder Asset Management") is a PRC-incorporated wholly-owned subsidiary of Bank of Communications Schroder Fund Management. BOCOM Schroder Asset Management is primarily engaged in managing client-specific asset management plans which may invest in shares, bonds, cash, bank deposits, securities investment funds, PBOC notes, non-financial corporate debt financing instruments, asset-backed securities, commodity futures and other financial derivatives, equity interests, debt interests and other property rights that have not been transferred by any stock exchange and other assets and businesses approved by the CSRC.

- Bank of Communications International Trust Co., Ltd. ("Bank of Communications International Trust") is a limited company incorporated in the PRC. As at the Latest Practicable Date, BOCOM and Hubei Provincial Communications Investment Group Co., Ltd. held a 85% and 15% interest in Bank of Communications International Trust, respectively. Bank of Communications International Trust is primarily engaged in managing trusts for its clients in the PRC, and did not act as fund managers to manage RMB private equity investment funds which is a key business of BOCOM International (Shanghai). Accordingly, the nature of the respective asset management business of Bank of Communications International Trust and BOCOM International (Shanghai) is inherently different.

- Bocommtrust Asset Management Co., Ltd. is a wholly-owned subsidiary of Bank of Communications International Trust incorporated in the PRC. It is engaged in proprietary equity investments utilising its own resources and managing public private partnership funds which are classified as private equity funds according to the Asset Management Association of China.

As at 31 December 2016, the aggregate AUM of the RMB private equity investment funds of BOCOM Schroder Asset Management and Bocommtrust Asset Management Co., Ltd. accounted for approximately 0.9% of the total AUM of BOCOM and its subsidiaries (being RMB8.4 trillion according to the annual report of BOCOM for the year ended 31 December 2016).

The revenue generated from the RMB private equity investment funds of BOCOM International (Shanghai) (being the service fees received) for each of the years ended 31 December 2014, 2015 and 2016 accounted for approximately 0.0%, 0.7% and 2.3% of the total revenue and other income of the Group, respectively, while the aggregate revenue generated from the RMB private equity investment funds of BOCOM Schroder Asset Management and Bocommtrust Asset Management Co., Ltd. (being the service fees received) in each of the years ended 31 December 2014, 2015 and 2016 represented only less than approximately 0.02% of the operating income of the BOCOM Group.

The asset management market in the PRC is by itself an open market which is of a significantly large scale. According to the report published by the Asset Management Association of China in March 2016, as at 31 December 2015, the AUM of the entire PRC asset management market was RMB38,204,911 million, and the AUM of all registered private equity investment funds (paid up) in the PRC was RMB1,674,363 million. On the basis of the above, as at 31 December 2015, the AUM of the RMB private equity investment funds of the Group and the BOCOM Group only accounted for approximately 0.0% and 0.1% of the aggregate AUM of the entire PRC asset management market, and approximately 0.1% and 1.7% of the AUM of all registered private equity investment funds (paid up) in the PRC, respectively. Other than BOCOM International (Shanghai) and the relevant entities within the BOCOM Group, there is a very large number of market participants in the market. Neither BOCOM International (Shanghai) nor the relevant entities within the BOCOM Group are able to account for a significant market share that could create direct competition between them in such market, and any potential competition from the BOCOM Group to BOCOM International (Shanghai) in the asset management market in the PRC is no different to the competition faced by BOCOM International (Shanghai) from an independent third party participating in such market.

The Directors are of the view that the benefits for the Group to further develop and expand its RMB private equity investment funds business in the PRC outweigh the benefits of discontinuing or disposing of this business altogether in order to eliminate any potential competition from the BOCOM Group in such market, and it is in the interests of the Company and its shareholders as a whole for the Group to continue to develop the business of RMB private equity investment funds in the PRC.

The Directors are of the view that it is in line with customary practices of the financial services industry that both the Group and the BOCOM Group participate in the broadly categorised PRC asset management market in order to deliver comprehensive services to their respective clients, and it is impracticable, uncommon and unduly burdensome for either the Group or the BOCOM Group to inject its entire PRC asset management business to the other so that it ceases to be a participant in such market, particularly given that the BOCOM Group's PRC asset management business is partially conducted through entities jointly set up with the Schroders Group and other parties.

The Directors are of the view that in light of the above business delineation, there is no material competition between the Group and the BOCOM Group in the asset management market in the PRC.

Financial advisory business in the PRC

BOCOM International (Shanghai) provides financial advisory services to its clients in the PRC. However, financial advisory in the PRC is not a material business for the Group as a whole. For the years ended 31 December 2014, 2015 and 2016, revenue from the financial advisory business in the PRC amounted to approximately HK$4.4 million, HK$18.8 million and HK$48.4 million, respectively, representing approximately 0.6%, 1.7% and 4.6% of the total revenue and other income of the Group, respectively.

The PRC branches of BOCOM provide financial advisory services to its corporate and institutional clients in the PRC in their ordinary course of business. Bank of Communications International Trust provides financial advisory services for their clients as ancillary services when conducting its loan and other businesses, and has not commenced any independent financial advisory business. BOCOM Schroder Asset Management mainly provides financial advisory services to its clients in relation to the private placement business.

The financial advisory market in the PRC is by itself an open market which is of a significantly large scale. Other than BOCOM International (Shanghai) and the relevant entities within the BOCOM Group, there is a very large number of market participants in the market. Neither BOCOM International (Shanghai) nor the relevant entities within the BOCOM Group are able to account for a significant market share that could create direct competition between them in such market, and any potential competition from the BOCOM Group to BOCOM International (Shanghai) in the financial advisory market in the PRC is no different to the competition faced by BOCOM International (Shanghai) from an independent third party participating in such market.

The Directors are of the view that in light of the above, there is no material competition between the Group and the BOCOM Group in the financial advisory market in the PRC.

(b) Independence of Operations

The Group holds all the relevant licences, qualifications and permits required for conducting the Group's business. The Group has its own customers with whom it communicates and maintains relationships independently. The Group owns or has the right to use all the material operational facilities and technologies relating to the Group's business and has sufficient capital, facilities and employees to operate its business independently of the BOCOM Group.

The Group has its own organisational structure comprising various departments that function and make decisions independently from the BOCOM Group. The Group maintains a set of internal control procedures and has adopted corporate governance practices that satisfy the applicable legal and regulatory requirements. The Group is able to formulate and execute operational decisions independently.

The Group enters into various connected transactions with the BOCOM Group from time to time. All the connected transactions are conducted on an arm's length basis, on normal commercial terms or better to the Group and in the ordinary course of business of the Group. The Group provides various services to the BOCOM Group including securities brokerage settlement and permitting BOCOM (Hong Kong Branch) to use the Group's broker number for subscription of new shares by the customers of BOCOM (Hong Kong Branch), investment advisory and management services provided to certain funds controlled by the BOCOM Group or

which have the BOCOM Group act as the general partner, underwriting, sponsoring, securities issuance and advisory services in respect of equity and debt securities and the entering into of over-the-counter commodity derivatives transactions with the BOCOM Group to facilitate the BOCOM Group's hedging of commodity risks indirectly at offshore commodity futures exchanges. For the years ended 31 December 2014, 2015 and 2016, the revenue generated from the provision of the above services to the BOCOM Group was approximately HK$31.9 million, HK$48.1 million and HK$36.7 million, respectively, representing approximately only 4.1%, 4.2% and 3.5% of the total revenue and other income of the Group, respectively. See "*Connected Transactions*".

The Directors are of the view that the connected transactions entered into with the BOCOM Group will not have any material impact on the Group's ability to operate independently, and the Group's operations are independent from the BOCOM Group.

(c) Financial Independence

The Group has a diversified financing strategy and maintains banking relationships with and has outstanding bank financing or facilities with a number of financial institutions. The BOCOM Group, whose core business is commercial banking, was only one of more than ten financial institutions from which the Group has obtained and will continue to obtain financing as at the Latest Practicable Date.

BOCOM (Hong Kong Branch), BOCOM International Securities and the SFC entered into an agreement dated 25 September 2007 in respect of a revolving subordinated loan facility of HK$600 million and an agreement dated 26 November 2010 in respect of a revolving subordinated loan facility for HK$400 million (the "**Subordinated Loan Facilities**"). Pursuant to the FRR, a corporation licensed under the SFO to conduct regulated activities is required to maintain prescribed minimum paid-up share capital and minimum liquid capital in respect of the regulated activities that it conducts at all times during which it is so licensed. The SFC has approved, subject to certain specified conditions, to treat the amounts drawn under the Subordinated Loan Facilities as approved subordinated loans for the purposes of compliance by BOCOM International Securities with the liquid capital requirements under the FRR. BOCOM International Securities has drawn down on the Subordinated Loan Facilities for the purposes of enhancing liquidity risk management and supporting its daily business operations. As at 31 December 2014, 2015 and 2016, the outstanding amount under the Subordinated Loan Facilities was HK$800 million, HK$1,000 million and HK$1,000 million, respectively. Under the Subordinated Loan Facilities, no repayment of the subordinated loans is permitted except with the prior written consent of the SFC. During the Track Record Period, BOCOM International Securities was able to satisfy the minimum liquid capital requirements under the FRR even after disregarding the amount drawn down under the Subordinated Loan Facilities.

As at 31 December 2014, 2015 and 2016, the outstanding loans which the Group obtained from the BOCOM Group and from independent banks are as follows:

(in HK$ million)	**As at 31 December**		
Outstanding Loans from	**2014**	**2015**	**2016**
BOCOM Group(1)	1,004.4	1,541.5	1,996.4
% of total outstanding loans	*43.0%*	*41.1%*	*34.1%*
independent banks(2)	1,332.3	2,213.6	3,851.6
% of total outstanding loans	*57.0%*	*58.9%*	*65.9%*
Total outstanding loans	**2,336.7**	**3,755.1**	**5,848.0**

Notes:

(1) The outstanding loans from the BOCOM Group include term loans, overdraft, revolving credit facilities and subordinated loans.

(2) The outstanding loans from independent banks include term loans and revolving credit facilities.

As at the Latest Practicable Date, the Group did not provide any security, collateral or pledge of assets to the BOCOM Group in relation to any of the outstanding loans from the BOCOM Group, and the BOCOM Group did not provide any credit support (whether by way of guarantees or otherwise) in respect of any financing obtained by the Group from third party sources.

From 1 January 2014 to 31 December 2016, there has been a continuously decreasing trend of the percentage of loans which the Group has obtained from the BOCOM Group compared to the total amount of outstanding loans of the Group. Further, the Group had substantial undrawn banking facilities provided by independent banks without any credit support from the BOCOM Group, which amounted to approximately HK$4,235.3 million as at 31 December 2016 and which exceeded the total amount of outstanding loans from the BOCOM Group as at the same date.

During the Track Record Period, the loans which the Group obtained from independent banks were at interest rates comparable to the then prevailing market interest rates, and were comparable to the interest rates payable under the loans which the Group obtained from the BOCOM Group in similar periods.

The Group has also opened deposit accounts with the Hong Kong and PRC branches of BOCOM. See *"Connected Transactions — Non-exempt Continuing Connected Transactions"*.

All financing obtained or deposits placed by the Group, whether from or with the BOCOM Group or third party financial institutions are on arm's length and normal commercial terms or better to the Group.

The Directors are of the view that the Group is able to operate financially independently from the BOCOM Group on the basis that (i) the Group has a proven track record of obtaining financing from independent third party financial institutions on a stand-alone basis without any credit support from the BOCOM Group at market interest rates or comparable rates and on normal commercial terms and (ii) the Group is in a strong financial position and if the Group was required to repay or refinance the borrowings from the BOCOM Group (subject to the consent of the SFC for any repayment of the subordinated loans drawn under the Subordinated Loan Facilities being obtained), the Group would be able to do so by drawing down from the undrawn banking facilities provided by independent banks and if required, by obtaining additional financing from third party financial institutions or in the debt capital markets on arm's length and normal commercial terms.

(d) Independence of Directors and Management

The Board of Directors consists of nine Directors, comprising three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors.

The Directors are of the view that the Board of Directors and the senior management of the Group are able to function independently of the BOCOM Group for the following reasons:

(i) there is no overlapping director on the respective board of directors of the Company and BOCOM;

(ii) the three Executive Directors and the members of the senior management of the Group are responsible for the day-to-day management of the Group's business and none of them holds any directorships and/or other roles with the BOCOM Group;

(iii) all of the Independent Non-executive Directors of the Company are independent of the BOCOM Group; and

(iv) the three Non-executive Directors have ongoing roles and positions in the BOCOM Group but none of them will be responsible for the day-to-day management of the Group's business. In relation to these three Non-Executive Directors, Mr. WANG Yijun is the General Manager of the Strategic Investment Department of BOCOM, a director of Bank of Communications Financial Leasing Co., Ltd., the Chairman of the Supervisory Board of Bank of Communications Schroder Fund Management and the Chairman of the Supervisory Board of BoComm Life Insurance Company Limited. Ms. LIN Zhihong is the General Manager of the Financial Budget Department of BOCOM and Mr. SHOU Fugang is the Chief Executive Officer of BOCOM (Hong Kong Branch), the Chairman of Bank of Communications (Hong Kong) Limited, a director and the Chief Executive of BCOM Finance (Hong Kong) Limited and the Chairman of China BOCOM Insurance Company Limited.

In addition, the Articles require each Director to observe the provisions of the Companies Ordinance in relation to the disclosure of his interest in transactions or proposed transactions with the Company or of any

office or property possessed by him which might create duties or interests in conflict with his duties or interests as a Director. The Articles further provide that a Director shall not vote on any Board resolution approving any transaction, contract or arrangement or any other proposal whatsoever in which he or any of his close associates (and if required by the Listing Rules, his other associates) has any material interest otherwise than by virtue of his interests in shares, debentures or other securities of or otherwise in or through the Company, except in certain prescribed circumstances, details of which are set out in *"Appendix IV — Summary of Articles of Association"*.

The provisions of the Articles ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of the Company and the Shareholders (including the independent Shareholders) taken as a whole.

(e) Independence of Administrative Capability

All essential administrative functions (such as finance and accounting, administration and operations, information technology, human resources and compliance functions) are carried out by the Group independently without the support of the BOCOM Group. Accordingly, the Directors are of the view that the Group is administratively independent from the BOCOM Group.

MEASURES ADOPTED TO ENSURE THE PROPER OPERATION OF THE REFERRAL AGREEMENT

In order to maintain a clear delineation between the margin financing businesses of the Group (on the one hand) and the margin financing businesses of the BOCOM Group (on the other hand) following the Listing, the Company and BOCOM (Hong Kong Branch) have entered into the Referral Agreement. See *"— Independence of the Group from the BOCOM Group — Clear Delineation between the Business of the Group and the Business of the BOCOM Group — Securities Brokerage and Margin Financing in Hong Kong"*.

The following measures have been adopted to ensure the proper operation of the arrangements under the Referral Agreement:

(a) all the Independent Non-executive Directors will be responsible for overseeing the implementation of the arrangements under the Referral Agreement;

(b) BOCOM (Hong Kong Branch) will provide to the Company (i) an annual confirmation at the end of each financial year regarding its compliance with the terms of the Referral Agreement during that financial year and (ii) all such information as the Independent Non-executive Directors may reasonably request for their annual review of BOCOM (Hong Kong Branch)'s compliance with the terms of the Referral Agreement; and

(c) the Company will disclose in the annual report (i) the annual confirmation of BOCOM (Hong Kong Branch) regarding its compliance with the terms of the Referral Agreement and (ii) any key findings of the Independent Non-executive Directors regarding compliance by BOCOM (Hong Kong Branch) with the terms of the Referral Agreement.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this section of the prospectus, none of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business under Rule 8.10(2) of the Listing Rules.

OVERVIEW

Prior to the Listing, the Group has entered into certain transactions with the BOCOM Group and certain Directors and their associates who will, upon the Listing, become connected persons of the Company. Details of the continuing connected transactions of the Company following the Listing are set out below.

A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

1. Unsecured Loan Facilities from the BOCOM Group

(a) Description of the Transactions

The Group has obtained unsecured loan facilities from the BOCOM Group. As at 31 December 2014, 2015 and 2016, the total outstanding amount under the loan facilities provided by the BOCOM Group was approximately HK$1,004.4 million, HK$1,541.5 million and HK$1,996.4 million, respectively.

Of the total outstanding loans as at 31 December 2014, 2015 and 2016, HK$800 million, HK$1,000 million and HK$1,000 million were outstanding subordinated loans drawn down under (i) the loan agreement dated 25 September 2007 entered into by BOCOM International Securities (as borrower), BOCOM (Hong Kong Branch) (as lender) and the SFC in relation to a HK$600 million unsecured revolving subordinated loan facility and (ii) the loan agreement dated 26 November 2010 entered into by the same parties in relation to a HK$400 million unsecured revolving subordinated loan facility. The SFC has approved, subject to certain specified conditions, to treat the amounts drawn under the two unsecured revolving subordinated loan facilities as approved subordinated loans for the purposes of compliance by BOCOM International Securities with the liquid capital requirements under the FRR. No repayment of the subordinated loans is permitted except with the prior written consent of the SFC. For further information on the unsecured loan facilities, see *"Financial Information — Indebtedness"*.

The unsecured loan facilities were obtained in the ordinary and usual course of business and on normal commercial terms or better to the Group and for which security is not provided by the Group or BOCOM International Securities as the borrower.

(b) Listing Rules Implications

The unsecured loan facilities constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms (or better to the Group) where no security over the assets of the Group is granted and would, upon the Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

2. Provision of IT Support Services by the BOCOM Group

(a) Description of the Transactions

The Group, in its ordinary course of business, has engaged the BOCOM Group to provide IT support services such as system usage and related maintenance. The provision of such IT support services by the BOCOM Group to the Group is in the ordinary and usual course of business of the Group and on normal commercial terms or better to the Group.

(b) Listing Rules Implications

As the highest applicable percentage ratio in respect of the provision of the IT support services by the BOCOM Group is, on an annual basis, less than 5% and the total consideration is less than HK$3 million, such

continuing connected transactions would, upon the Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules.

3. Provision of Financial Services by the Group to Directors and Their Associates

(a) Description of the Transactions

The Group, in its ordinary course of business, provides financial services including securities brokerage and asset management services (through acting as fund managers) to its clients including the Directors and their associates who are connected persons of the Company. The provision of the financial services by the Group to the Directors and their associates is in the ordinary and usual course of business of the Group and on normal commercial terms.

(b) Listing Rules Implications

Taking into account the revenue expected to be derived by the Group from the provision of financial services to the Directors and their associates (including but not limited to the management fees and commissions charged by the Group), the highest applicable percentage ratio in respect of the provision of the financial services by the Group to the Directors and their associates is, on an annual basis, less than 5% and the total consideration is less than HK$3 million. Therefore, such continuing connected transactions would, upon the Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Financial Services Framework Agreement

(a) Description of the Transactions

The Group, in its ordinary course of business, provides various financial services to its clients, which include the BOCOM Group. In view of the BOCOM Group's requirement for certain financial services and the Group's qualifications, expertise and experience in providing such financial services, the BOCOM Group had engaged the Group to provide the following financial services during the Track Record Period:

- **securities brokerage settlement and subscription of new shares:** As BOCOM (Hong Kong Branch) is neither an Exchange Participant nor a CCASS Participant and does not have the independent capability to conduct settlement and clearance of securities brokerage transactions with CCASS, it refers certain securities brokerage transactions of its customers to BOCOM International Securities for securities trading and brokerage settlement and pays commission to BOCOM International Securities. BOCOM (Hong Kong Branch) also uses the broker number under the Exchange Participantship of BOCOM International Securities for subscription of new shares by its customers. BOCOM International Securities will on-pay the entire gross brokerage commission received therefrom to BOCOM (Hong Kong Branch). The Company and BOCOM (Hong Kong Branch) entered into the Business Cooperation Agreement on 25 April 2017 for a term until 31 December 2019 pursuant to which BOCOM (Hong Kong Branch) will, among other things, refer no less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement and will use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers. See "*Relationship with the BOCOM Group — Independence of the Group from the BOCOM Group — Clear Delineation between the Business of the Group and the Business of the BOCOM Group — Securities Brokerage and Margin Financing in Hong Kong*" for further details of the Business Cooperation Agreement. The Company will ensure that the terms of the Business Cooperation Agreement will not be inconsistent with the terms of the Financial Services Framework Agreement relating to the provision by the Group of certain financial services to the BOCOM Group (including any terms regarding the pricing policies that apply to the relevant transactions), as amended and renewed from time to time and which is also for a term until 31 December 2019.

- **investment advisory and management services:** the Group provides investment advisory and management services to certain funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner, and receives fund management fee income from the BOCOM Group; and

- **underwriting, sponsoring, securities issuance and advisory services:** the Group provides underwriting, sponsoring and securities issuance services in respect of equity and debt securities and advisory services to the BOCOM Group and receives underwriting commissions, sponsor fees and advisory fees for providing such services.

Due to the business requirements of the Group in its day-to-day operations, the Group had engaged the BOCOM Group to provide various financial services. During the Track Record Period, the financial services provided by the BOCOM Group to the Group included the following:

- **deposit services:** the Group has maintained deposit accounts with the Hong Kong and PRC branches of BOCOM in the ordinary and usual course of its business and on normal commercial terms. The Group places both client funds and proprietary funds as deposits in such accounts opened with BOCOM. The Group receives interest on such deposits from BOCOM;

- **customer referral services:** the BOCOM Group from time to time refers its customers or potential customers who require services provided by the Group to open accounts with and become customers of the Group. The services provided by the Group to the referred customers include securities brokerage and margin financing services. The Group pays referral commission to certain branches of BOCOM for such customer referral services. The Company and BOCOM (Hong Kong Branch) entered into a referral agreement dated 25 April 2017 (the "**Referral Agreement**") pursuant to which BOCOM (Hong Kong Branch) has undertaken to refer to the Group for its consideration to undertake all margin financing for secondary market transactions for existing and new customers of BOCOM (Hong Kong Branch), except margin financing for secondary market transactions of private banking customers of BOCOM (Hong Kong Branch). See "*Relationship with the BOCOM Group — Independence of the Group from the BOCOM Group — Clear Delineation between the Business of the Group and the Business of the BOCOM Group — Securities Brokerage and Margin Financing in Hong Kong"* for further details of the Referral Agreement;

- **fund product distribution services:** as one of the marketing channels for the Group's fund products, BOCOM (Hong Kong Branch) provides product distribution services by promoting and distributing the fund products offered or managed by the Group. The Group pays commission to BOCOM (Hong Kong Branch) for such services; and

- **miscellaneous banking and financial services:** the Group has engaged the BOCOM Group to provide miscellaneous banking and financial services including insurance and custodian services. The Group pays service fees to the BOCOM Group for such services.

The Company entered into a financial services framework agreement with BOCOM (the "**Financial Services Framework Agreement**") on 25 April 2017 to govern the existing and future provision of financial services between the Group and the BOCOM Group (including transactions arising pursuant to the Business Cooperation Agreement and the Referral Agreement) with effect from the Listing Date.

The Financial Services Framework Agreement provides that the provision of financial services by the Group to the BOCOM Group and by the BOCOM Group to the Group must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better to the Group, (iv) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable transactions (in respect of provision of financial services by the BOCOM Group to the Group) and on terms no less favourable than those offered by the Group to independent third parties for similar transactions (in respect of the provision of financial services by the Group to the BOCOM Group), (v) in accordance with the specified pricing policies and (vi) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The Financial Services Framework Agreement expires on 31 December 2019 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the Financial Services Framework Agreement.

(b) Historical Transaction Amounts

The historical transaction amounts in respect of the financial services referred to in the Financial Services Framework Agreement for each of the three years ended 31 December 2014, 2015 and 2016 are as follows:

	Historical Transaction Amounts		
	Year ended 31 December		
	2014	2015	2016
	(HK$ millions)		
Revenue received by the Group from the BOCOM Group in respect of:			
Securities brokerage settlement and subscription of new shares	30.5	21.5	8.2
Investment advisory and management services	—	11.8	28.4
Underwriting, sponsoring, securities issuance and advisory services	1.4	14.8	8.0
Interest on deposits	4.0	3.7	2.1
Total	**35.9**	**51.8**	**46.7**
Fees and commissions paid by the Group to the BOCOM Group in respect of:			
On-payment of securities brokerage commission for subscription of new shares to BOCOM (Hong Kong Branch)	1.3	2.8	1.2
Customer referral services	2.6	4.8	4.7
Fund product distribution services	—	0.2	0.1
Miscellaneous banking and financial services	3.4	3.5	6.2
Total	**7.3**	**11.3**	**12.2**

(c) Caps on Future Transaction Amounts

The annual caps of the transaction amounts for the financial services to be provided under the Financial Services Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are as follows:

	Annual Caps		
	Year ending 31 December		
	2017	2018	2019
	(HK$ millions)		
Revenue to be received by the Group from the BOCOM Group in respect of:			
Securities brokerage settlement and subscription of new shares	20.0	20.0	20.0
Investment advisory and management services	68.2	72.7	84.7
Underwriting, sponsoring, securities issuance and advisory services	26.2	32.8	41.0
Interest on deposits	5.3	5.3	5.3
Total	**119.7**	**130.7**	**151.0**
Fees and commissions to be paid by the Group to the BOCOM Group in respect of:			
On-payment of securities brokerage commission for subscription of new shares to BOCOM (Hong Kong Branch)	1.9	2.2	2.7
Customer referral services	6.5	7.8	9.3
Fund product distribution services	0.2	0.2	0.2
Miscellaneous banking and financial services	6.4	7.5	8.7
Total	**15.0**	**17.7**	**20.9**

The pricing policies for the financial services which the Group provides to the BOCOM Group pursuant to the Financial Services Framework Agreement are as follows:

- **securities brokerage settlement and subscription of new shares:** The fees and commission payable by the BOCOM Group to the Group for securities brokerage settlement and subscriptions of new shares will be determined by arm's length negotiation after taking into account factors including the prevailing market rates and the rates normally applicable to independent third parties for similar types of transactions at the time of the transaction, the expected significant trading volume of and revenue from the securities brokerage transactions to be referred by BOCOM (Hong Kong Branch) to the Group for securities trading and brokerage settlement pursuant to the Business Cooperation Agreement, the scope and extent of the services to be provided by the Group, the fact that the transactions involve customers of BOCOM (Hong Kong Branch) but not customers of the Group and the insignificant marketing expenses and efforts required of the Group, the fact that the orders will be placed through the trading system of BOCOM (Hong Kong Branch) but not that of the Group and the immaterial additional costs to the Group for permitting BOCOM (Hong Kong Branch) to use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers as the human resources and infrastructure required have already been put in place by the Group for the purposes of conducting other businesses of the Group.

- **investment advisory and management services:** The fees for the investment advisory and management services provided by the Group are payable by the BOCOM Group in accordance with the rates set out in the relevant fund management agreements which will be determined based on arm's length negotiation after taking into account factors including the extent of the Group's involvement in sourcing of transactions, the prevailing market rates for investment advisory and management services of similar types and nature, the AUM of the relevant funds in respect of which the Group provides investment advisory and management services, the fees that the Group charges independent customers for similar advisory and management services and the types of the funds involved and their investment strategies and focus which may affect the resources required for providing the management services. For targeted asset management schemes, the Group charges management fees on the basis of a specified percentage of the AUM. For specialised asset management schemes, the management fee rates will also take into account the purpose of the asset management scheme and the industry involved.

- **underwriting, sponsoring, securities issuance and advisory services:** The fees for the underwriting, sponsoring, securities issuance and advisory services provided by the Group are payable by the BOCOM Group in accordance with the rates set out in the relevant underwriting, sponsoring, advisory or other engagement agreements that may be entered into by the Group and the BOCOM Group. The underwriting commissions, sponsoring fees and securities issuance fees will be determined by arm's length negotiation after taking into account factors including the capital market conditions, the size of the proposed issuance, the commission and fee rates charged in respect of recent issuance of similar nature and scale, the market demand for the securities to be issued and the rates that the Group charges independent third parties for similar services. The securities underwriting market is highly competitive and the underwriting commission rates, sponsor fees and securities issuance fees have become generally transparent and standardised across the market, which enables the Group to adopt a market-based pricing approach. The fees for advisory services are determined by arm's length negotiation after taking into account factors including the nature of the advisory services involved, the scale and complexity of the transactions or advisory projects involved and the fees and the rates that the Group charges independent customers for similar services.

The pricing policies for the financial services which the BOCOM Group provides to the Group pursuant to the Financial Services Framework Agreement are as follows:

- **deposit services:** The interest rates of the deposits of the Group placed with BOCOM will be determined by reference to the market rates of deposits in the financial industry payable to independent customers for deposits of the same type and similar amounts during that period.

- **customer referral services:** The customer referral commissions payable by the Group to the BOCOM Group will be determined by arm's length negotiation after taking into account factors including the nature of services required by the customers referred by the BOCOM Group, the referral commissions payable by the Group to independent parties for customers referred for similar businesses, the market conditions, the expected number of customers to be referred by the BOCOM Group for each type of services to be provided by the Group and the industry practice.

- **fund product distribution services:** The fees and commission payable by the Group to BOCOM (Hong Kong Branch) for the fund product distribution services will be determined by arm's length negotiation after taking into account factors including the commission payable by the Group to independent parties for similar product distribution services, the expected number of customers who will subscribe for fund products offered or managed by the Group through the BOCOM Group's distribution channels and the industry practice.

- **miscellaneous banking and financial services:** The fees payable by the Group to the BOCOM Group for the miscellaneous banking and financial services will be determined by arm's length negotiation after taking into account factors including the prevailing market rates for similar services provided by other banks and financial institutions. The market rates are generally transparent and standardised across the banking and financial industries.

The annual caps in respect of the financial services were determined by reference to the following factors:

- **Securities brokerage settlement and subscription of new shares:** (i) the historical revenue derived by the Group in respect of the securities brokerage transactions referred to BOCOM International Securities for securities trading and brokerage settlement and the arrangements under which BOCOM (Hong Kong Branch) used the broker number under the Exchange Participantship of BOCOM International Securities for subscription of new shares by its customers during the three financial years ended 31 December 2016, (ii) the potential growth of demand for securities trading and brokerage settlement and subscription of new shares of BOCOM (Hong Kong Branch)'s customers over the next three years and the Group's growth plan regarding these services. It is expected that the revenue from securities trading and brokerage settlement will grow by about 10% annually in the years ending 31 December 2018 and 2019, (iii) the fact that BOCOM (Hong Kong Branch) would refer no less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement pursuant to the Business Cooperation Agreement, and (iv) the market sensitivity of the brokerage transactions and the passive role of the Group.

- **Investment advisory and management services:** (i) the historical investment advisory and management service fees paid by the BOCOM Group to the Group during the three financial years ended 31 December 2016, (ii) the existing funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner, and (iii) the expected significant growth of the BOCOM Group's demand for investment advisory and management services from the Group over the next three years. The Group plans to expand the business of investment advisory and management services. Further, as part of the BOCOM Group's business development plans, the BOCOM Group has significantly increased the scale of its offshore asset management business since the fourth quarter of 2016. Accordingly, the BOCOM Group has significantly increased the use of the Group's investment advisory and management services since the fourth quarter of 2016. The Group understands that the phase of the BOCOM Group's rapid expansion of its offshore asset management business which commenced in the fourth quarter of 2016 is likely to continue into the year of 2017, and the growth of the BOCOM Group's offshore asset management business is expected to be relatively steady in 2018 and 2019. In light of the Group's understanding of the BOCOM Group's development plans in respect of its offshore asset management business in the next three years, the Group currently internally expects that, subject to market conditions and the relevant policies of the PRC authorities, the end-of-year AUM which corresponds to the investment advisory and management services to be provided by

the Group to the BOCOM Group will increase by no less than two times from 31 December 2016 to 31 December 2017, increase by 20% to 30% from 31 December 2017 to 31 December 2018, and increase by 20% to 30% from 31 December 2018 to 31 December 2019.

- **Underwriting, sponsoring, securities issuance and advisory services:** (i) the historical underwriting, sponsoring, securities issuance and advisory fees paid by the BOCOM Group to the Group during the three financial years ended 31 December 2016, (ii) the transactions involved will likely be on an *ad hoc* basis and where a relevant transaction proceeds, it may involve significant fees payable by the BOCOM Group to the Group if the scale of the underwriting commitment or the securities transactions is significant, (iii) the fact that the BOCOM Group's demand for underwriting, sponsoring, securities issuance and advisory services from the Group is highly sensitive to and dependent upon the prevailing market conditions and sentiments. A significant proportion of the underlying transactions may take place within a short window of time during which market conditions and sentiments would favour the undertaking of such transactions by the BOCOM Group. In light of such specific nature of the transactions, in determining the annual caps, the Company has adopted the historical transaction amount for the year ended 31 December 2015 (during which the market conditions and sentiments for undertaking similar transactions were relatively more favourable) as the initial reference amount for the annual caps and has taken into account market fluctuations which may occur during the next three years and which may lead to a surge in the BOCOM Group's demand for *ad hoc* underwriting, sponsoring, securities issuance and advisory services from the Group, and (iv) the expected growth of the BOCOM Group's demand for issuance of equity and debt securities and the corresponding demand for underwriting, sponsoring, securities issuance and advisory services from the Group over the next three years. Subject to market fluctuations and any *ad hoc* large-scale transactions as set out above, it is expected that revenue derived by the Group from providing such services will grow by about 20% to 30% annually in the three years ending 31 December 2019.

- **Interest on deposits:** (i) the interest on the deposits of the Group placed with BOCOM during the three financial years ended 31 December 2016, (ii) the expected proceeds to the Company from the Global Offering, (iii) the expected growth of the Group's business and the financing needs of the Group over the next three years which are expected to result in an increase in the Group's cash balance, (iv) the expected steady growth in the client money which the Group would receive from its business operations and (v) the expected trends of movements in the market interest rates.

- **Customer referral services:** (i) the historical commission paid by the Group to the BOCOM Group in respect of the customers referred by the BOCOM Group to the Group during the three financial years ended 31 December 2016 and (ii) the expected growth of demand for securities brokerage and margin financing services of potential customers referred by the BOCOM Group over the next three years. In light of the potential growth of the financial services provided by the BOCOM Group to the Group as a result of the expansion of the Group's securities business, it is expected that the fees for such services payable by the Group will grow at a relatively steady rate of about 20% annually in each of the three years ending 31 December 2019.

- **Fund product distribution services:** (i) the historical commission paid by the Group to the BOCOM Group in respect of the BOCOM Group's distribution of the Group's fund products during the three financial years ended 31 December 2016 and (ii) the expected increase in the number of the Group's fund products which will utilise the BOCOM Group's marketing channels for distribution over the next three years.

- **Miscellaneous banking and financial services:** (i) the historical fees paid by the Group to the BOCOM Group in respect of the miscellaneous banking and financial services provided by the BOCOM Group during the three financial years ended 31 December 2016 and (ii) the expected growth of the overall business of the Group and hence, the growth of the Group's demand for miscellaneous banking and financial services over the next three years.

(d) Waiver from Strict Compliance with the Maximum Daily Balance Requirement in Respect of the Group's Bank Deposits with BOCOM

Pursuant to Rule 14A.53 of the Listing Rules, the Company is required to set a maximum daily balance for deposits which the Group places in accounts opened with BOCOM. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the requirements of setting a maximum daily balance for the Group's deposits placed with BOCOM under Rule 14A.53 of the Listing Rules on the following grounds:

In respect of the deposits with BOCOM representing funds of the Group's clients:

- pursuant to the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong), subject to certain exceptions, a corporation licensed under the SFO that receives or holds client money is required to establish and maintain a segregated account with an authorised institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for the client money in Hong Kong. The licensed corporations within the Group maintain client money in segregated accounts opened with BOCOM and other independent banks. The amounts of client money received or held by the Group may fluctuate significantly on a daily basis depending on the volume of the business transactions and client activities on a particular day. It would be extremely onerous and impracticable for the Group to estimate and set a maximum daily balance limit for such deposits;

- the placing of funds of the Group's customers as deposits with BOCOM will be on the then prevailing market interest rates, on normal commercial terms or better to the Group and in the respective ordinary and usual course of business of the Group and BOCOM;

- as the Group cannot control the fluctuation in, or accurately estimate the maximum daily balance of, the incoming client money, the Group will not be in a position to strictly comply with a maximum daily balance limit even if such limit is set. The Group should not be required to set any limit which it understands will likely not be complied with; and

- setting a maximum daily balance of deposits would mean that the Group may have to decline potential business that it conducts in its ordinary course of business in order not to exceed such maximum daily balance. This would be unduly burdensome to the Group's existing business operations, unduly restrictive to the potential growth of the Group's business and would not be in the best interests of the Company and the Shareholders as a whole.

In respect of the deposits with BOCOM representing the Group's proprietary funds:

- the placing of the Group's proprietary funds as deposits with BOCOM will be on the then prevailing market interest rates, on normal commercial terms or better to the Group and in the respective ordinary and usual course of business of the Group and BOCOM;

- it is impracticable and extremely difficult for the Group to estimate the amount of incoming funds on a daily basis given that its financial and securities businesses are highly responsive to market fluctuations. In addition, the Group may from time to time liquidate its proprietary investments, financial products and portfolios in order to satisfy its operational, business and treasury needs. The amount of funds arising therefrom can be substantial and highly uncertain and may only be temporary in nature. Therefore, imposing a maximum daily balance of deposits would not only cause undue administrative inconvenience to the Group but would also cause undue disruption to its operations, and would adversely impact its ability to promptly respond to volatile changes in the financial market;

- during the Track Record Period, the Group placed its proprietary funds with various commercial banks in Hong Kong and the PRC, which are regulated by the Hong Kong Monetary Authority, the CBRC and/or the PBOC, as the case may be. In choosing which banks to place deposits with, the Group considered various factors including the interest rates offered by the banks, the solvency and financial

viability of the banks and other commercial considerations. The Group would choose to place deposits with banks which it considers the most suitable and prudent after taking into account the relevant factors; and

- setting a maximum daily balance of deposits would be unduly burdensome to the Group's existing business operations, unduly restrictive to the potential growth of the Group's business and would not be in the best interests of the Company and the Shareholders as a whole.

(e) Listing Rules Implications

The Directors are of the view that the continuing connected transactions under the Financial Services Framework Agreement are of the same nature and are entered into by the Group with parties who are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions under the Financial Services Framework Agreement is, on an annual basis, 5% or more, such continuing connected transactions will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Derivatives Transactions Framework Agreement

(a) Description of the Transactions and Back-to-back Pricing Policies with an Insignificant Spread

The Group enters into commodity derivatives transactions in order to facilitate the BOCOM Group's hedging of commodity risks indirectly at offshore commodity futures exchanges including the New York Mercantile Exchange. The Group enters into commodity derivatives transactions with the BOCOM Group at specified prices and terms at the over-the-counter market pursuant to the ISDA Master Agreement dated 16 June 2016 entered into by BOCOM and the Company.

Simultaneously, the Group enters into commodity derivatives transactions at an offshore commodity futures exchange on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in the opposite direction. Under the above overall commodity derivatives transaction arrangements and the above back-to-back pricing policies with an insignificant spread, the Group assumes no overall risks of investment losses due to the offsetting between the trading gains and the trading losses from the derivatives transactions in opposite directions, and expects to derive net trading gains due to the spread between the trading price with the BOCOM Group and the trading price at the offshore commodity futures exchanges in the derivatives transactions. The back-to-back pricing policies involve the Group reviewing the proposed terms of the derivatives transactions to be entered into with the BOCOM Group and setting an insignificant spread for the derivatives transactions in opposite directions to be entered into by the Group at offshore commodity futures exchanges. Pursuant to such arrangements and pricing policies, the Group expects to assume no overall risks of investment losses.

The Company entered into a derivatives transactions framework agreement with BOCOM (the "**Derivatives Transactions Framework Agreement**") on 25 April 2017 to govern all existing and future derivatives transactions between the Group and the BOCOM Group, with effect from the Listing Date.

The Derivatives Transactions Framework Agreement provides that the derivatives transactions between the Group and the BOCOM Group must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better to the Group, (iv) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable derivatives transactions and (v) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The Derivatives Transactions Framework Agreement expires on 31 December 2019 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the Derivatives Transactions Framework Agreement.

(b) Historical Transaction Amounts

The Company has entered into derivatives transactions with the BOCOM Group only since July 2016. The historical transaction amounts in respect of the derivatives transactions with the BOCOM Group referred to in the Derivatives Transactions Framework Agreement for the year ended 31 December 2016 are as follows:

	Historical transaction amounts
	Year ended 31 December 2016
	(HK$ millions)
Trading Gains / (Losses) to the Group	(7.9)
Fair Value Recorded as Financial Assets	0
Fair Value Recorded as Financial Liabilities	0.4

While the Group recorded trading losses of approximately HK$7.9 million in the commodity derivatives transactions with the BOCOM Group in the year ended 31 December 2016, the Group recorded trading gains of approximately HK$8.0 million in the same period from the corresponding commodity derivatives transactions entered into by the Group at offshore commodity futures exchanges on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in opposite directions. As a result of such arrangements and the back-to-back pricing policies with an insignificant spread, the Group derived net trading gains of approximately HK$0.1 million in the same period from the overall commodity derivatives transaction arrangements after offsetting the trading gains and trading losses arising from the transactions in opposite directions.

The notional amount of the derivatives transactions between the Group and the BOCOM Group as at 31 December 2014, 2015 and 2016 was nil, nil and approximately US$4.3 million, respectively. The maximum daily notional amount of the derivatives transactions between the Group and the BOCOM Group for each of the three years ended 31 December 2016 was nil, nil and approximately US$8.5 million, respectively.

In light of the above arrangements and pricing policies, the Group expects that irrespective of whether the Group records trading gains or losses in the commodity derivatives transactions between the Group and the BOCOM Group (being continuing connected transactions of the Company), there will be corresponding significant offsetting of such trading gains or losses (as the case may be) arising from the derivatives transactions in opposite directions entered into by the Group at offshore commodity futures exchanges. At the same time, the Group expects to derive overall trading gains due to the spread between the trading price with the BOCOM Group and the trading price at the offshore commodity futures exchanges in the derivatives transactions. In light of the above, the Directors (including the Independent Non-executive Directors) are of the view that the commodity derivatives transaction arrangements are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

In 2016, the business of derivatives transactions with the BOCOM Group was a newly developed business of the Company and was at a start-up stage. The Company has entered into such derivatives transactions only since July 2016. As part of the Group's gradual development strategies, the Group entered into a relatively limited number of derivatives transactions during the start-up period in 2016. After the start-up period, the Group expects to deploy more staff and resources for operating the derivatives transactions business and to enter into significantly more derivatives transactions with the BOCOM Group in the three years ending 31 December 2019. Despite the Group's anticipated expansion of its business of derivatives transactions, it is expected that for each of the three years ending 31 December 2019, the total volume of the derivatives transactions entered into by the Group will only correspond to an immaterial proportion of the total volume of similar derivatives transactions to be entered into by the BOCOM Group with all counterparties.

(c) Caps on Future Transaction Amounts

The annual caps of the transaction amounts for the derivatives transactions under the Derivatives Transactions Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are set out in the following table:

	Annual Caps		
	Year ending 31 December		
	2017	2018	2019
		(HK$ millions)	
Trading Gains or Losses to the Group[1]	58.1	81.3	92.9
Maximum Fair Value Recorded as Financial Assets	55.7	75.5	90.6
Maximum Fair Value Recorded as Financial Liabilities	55.7	75.5	90.6

Note:

(1) This does not include the trading gains or losses arising from the derivatives transactions in opposite directions to be entered into by the Group at offshore commodity futures exchanges (which do not constitute continuing connected transactions of the Company).

The annual caps in respect of the derivatives transactions set out in the table above were determined by reference to the following: (i) the historical trading gains/losses, fair value recorded as financial assets and fair value recorded as financial liabilities in respect of the derivatives transactions entered into with the BOCOM Group since July 2016, (ii) the expected growth of the BOCOM Group's demand for hedging of commodity risks indirectly at offshore commodity futures exchanges and the volume of derivatives transactions to be entered into with the BOCOM Group over the next three years, (iii) the expected spread between the closing price and the fixed price in the derivatives transactions, and (iv) the expected expansion of the capacity for the Group's business of derivatives transactions in the following three years with the expected increase in the number of staff and other resources deployed for operating such business.

In light of the annual caps of the transaction amounts for the derivatives transactions under the Derivatives Transactions Framework Agreement set out in the table above and for reference purposes only, the corresponding expected maximum daily notional amount of the derivatives transactions between the Group and the BOCOM Group for each of the three years ending 31 December 2019 will be approximately US$75.0 million, US$96.3 million and US$120.0 million, respectively. The expected maximum daily notional amounts of the derivatives transactions may provide a basis for comparison with the fair values of derivatives transactions to be recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of the future cash flow involved or the current fair values of the derivatives transactions and therefore, do not indicate the Group's exposure to credit or market risks.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of the transactions under the Derivatives Transactions Framework Agreement is, on an annual basis, 5% or more, such continuing connected transactions will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Property Leasing Framework Agreement

(a) Description of the Transactions

The Group has leased office premises and car parking spaces in Hong Kong and Shanghai from the BOCOM Group for its business use.

The Company entered into a framework agreement with BOCOM (the "**Property Leasing Framework Agreement**") on 25 April 2017 to govern the leasing of properties by the Group from the BOCOM Group with effect from the Listing Date.

The Property Leasing Framework Agreement provides that all the leasing transactions must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better to the Group, (iv) at rentals determined by reference to the prevailing market rents and on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable properties at the relevant locations and (v) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The Property Leasing Framework Agreement expires on 31 December 2019 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the Property Leasing Framework Agreement.

(b) Historical Transaction Amounts and Caps on Future Transaction Amounts

The rental paid by the Group to the BOCOM Group for the lease of properties from the BOCOM Group for the three years ended 31 December 2014, 2015 and 2016 was approximately HK$2.2 million, HK$3.8 million and HK$9.1 million, respectively.

The maximum amount of the rental payable by the Group to the BOCOM Group for the lease of properties from the BOCOM Group for each of the three years ending 31 December 2019 will not exceed HK$10.0 million.

The annual caps were determined by reference to (i) the expected demand of the Group for office premises and car parking spaces in Hong Kong and Shanghai for its business operations over the next three years, (ii) the historical rentals paid by the Group to the BOCOM Group for the lease of properties for the three years ended 31 December 2014, 2015 and 2016, (iii) the expected rental levels for the relevant office premises and car parking spaces in Hong Kong and Shanghai over the next three years, and (iv) the rental levels set out in the existing underlying lease agreements entered into by the Group and the BOCOM Group with a term that encompasses a period within the three years ending 31 December 2019. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has confirmed that the rentals for the lease of properties from the BOCOM Group for each of the three years ending 31 December 2019 are not higher than the prevailing market rates for similar properties situated in the locality that are used for similar purposes in the PRC and Hong Kong at the relevant dates of leases.

(c) Listing Rules Implications

As the highest applicable percentage ratio in respect of the transactions under the Property Leasing Framework Agreement, on an annual basis, is more than 0.1% but is less than 5%, such continuing connected transactions will be, upon the Listing, subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

C. WAIVER APPLICATIONS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the announcement and, if applicable, the independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and, if applicable, independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions described in this section.

In respect of the Group's bank deposits with BOCOM, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the requirement of setting a maximum daily balance for the Group's deposits with BOCOM under Rule 14A.53 of the Listing Rules on the grounds set out under the section headed *"— Non-exempt Continuing Connected Transactions — Financial Services Framework Agreement — Waiver from Strict Compliance with the Maximum Daily Balance Requirement in Respect of the Group's Bank Deposits with BOCOM"* above.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

D. MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), the Group has implemented the following internal approval and monitoring procedures in relation to the continuing connected transactions:

- before confirming the pricing and the terms of proposed connected transactions, the Group will review and consider the pricing offered to or quoted by, as the case may be, two or more independent third parties in respect of transactions of a similar nature and scale in order to determine whether the proposed pricing and terms of the connected transactions are fair, reasonable and no less favourable than those quoted by independent third parties to the Group or no more favourable than those offered by the Group to independent third parties, as the case may be. If no pricing quoted by or offered to independent third parties can be obtained for the purpose of the above comparison, the relevant connected transaction will have to be separately considered and approved by the head of the relevant business unit in order to ensure that the pricing will be fair and reasonable to the Group;

- the Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the Company Secretary (directly or through the head of the relevant business unit) in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

- the Company will provide information and supporting documents to the Independent Non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the Independent Non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of the Group in all material respects, are not entered into in accordance with the relevant agreement governing the transactions in all material respects or have exceeded the cap.

E. CONFIRMATION FROM THE DIRECTORS AND THE JOINT SPONSORS

The Directors (including the Independent Non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

F. ARRANGEMENTS IN RELATION TO THE LISTING

As disclosed in "*Relationship with the BOCOM Group — Independence of the Group from the BOCOM Group — Clear Delineation between the Business of the Group and the Business of the BOCOM Group — Securities Brokerage and Margin Financing in Hong Kong*", the Company and BOCOM (Hong Kong Branch) entered into the Business Cooperation Agreement on 25 April 2017 pursuant to which BOCOM (Hong Kong Branch) will, among other things, (i) refer not less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement and (ii) use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers. Further, in order to maintain a clear delineation between the margin financing businesses of the Group (on the one hand) and the margin financing businesses of the BOCOM Group (on the other hand) following the Listing, the Company and BOCOM (Hong Kong Branch) entered into the Referral Agreement on 25 April 2017 pursuant to which BOCOM (Hong Kong Branch) has undertaken to refer to the Group for its consideration to undertake all margin financing for secondary market transactions of existing and new customers of BOCOM (Hong Kong Branch), except margin financing for secondary market transactions of private banking customers of BOCOM (Hong Kong Branch). In the event that the Group and the BOCOM Group enter into any connected transaction that arises from the Business Cooperation Agreement or the Referral Agreement, the Company will ensure that such transaction will be conducted in accordance with the provisions of the Financial Services Framework Agreement and the relevant provisions of Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS

The Board of Directors consists of nine Directors, comprising three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Date of Appointment as a Director	Date of Joining the Group	Principal Responsibilities
TAN Yueheng (譚岳衡)	54	Chairman and Executive Director	1 February 2007	1 February 2007	Responsible for the formulation of strategic direction and for the day-to-day management of the Group
LI Ying (李鷹)	45	President and Executive Director	22 June 2015	16 January 2015	Responsible for the day-to-day management of the Group
CHENG Chuange (程傳閣)	52	Deputy Chief Executive Officer and Executive Director	25 June 2010	23 July 2007	Responsible for the day-to-day management of the Group
WANG Yijun (王憶軍)	45	Non-executive Director	22 June 2015	26 November 2012 initially	Responsible for the formulation of strategic direction and for the high level oversight of the management and operations of the Group
LIN Zhihong (林至紅)	48	Non-executive Director	4 November 2014	4 November 2014	Responsible for the formulation of strategic direction and for the high level oversight of the management and operations of the Group
SHOU Fugang (壽福鋼)	55	Non-executive Director	29 August 2007	29 August 2007	Responsible for the formulation of strategic direction and for the high level oversight of the management and operations of the Group
TSE Yung Hoi (謝湧海)	64	Independent Non-executive Director	26 June 2014	26 June 2014	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group
MA Ning (馬宁)	44	Independent Non-executive Director	31 October 2016	31 October 2016	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group
LIN Zhijun (林志軍)	62	Independent Non-executive Director	31 October 2016	31 October 2016	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group

Chairman and Executive Director

TAN Yueheng (譚岳衡), aged 54, is the Chairman and an Executive Director of the Company. He was appointed as a Director of the Company in February 2007 and the Vice Chairman of the Company in June 2007. Since July 2016, he has served as the Chairman of the Company. In October 2016, he was re-designated as an Executive Director of the Company. Prior to joining the Group, Mr. Tan served as the deputy general manager of Jiang Nan Finance Limited from 1997 to 2002, deputy general manager of CMB International Capital Corporation Limited from 1997 to 2002, director of Great Wall Securities Limited from 1998 to 2002, deputy general manager of China Merchants Finance Holdings Company Limited from 2002 to 2007, the Chairman of the Supervisory Board of China Merchants Securities Co., Ltd. from 2003 to 2007 and a non-executive director of China Merchants Bank from 2004 to 2007.

Mr. Tan graduated from Hunan Institute of Finance and Economics with a Bachelor's degree in Finance in July 1983. He also obtained a Master's degree in Economics, with a major in money and banking from the Graduate School of the People's Bank of China in July 1986 and a Doctorate degree in Economics from the Graduate School of Chinese Academy of Social Sciences in December 1989. Mr. Tan is also the chairman of the Chinese Securities Association of Hong Kong and a member of the Chinese People's Political Consultative Conference Gansu Provincial Committee.

Mr. Tan, who is the Chairman of the Company, will, in effect, continue to assume the responsibilities of the chief executive of the Company upon the Listing. Code Provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tan has assumed the responsibilities of the chief executive of the Company since 2007. The Board believes that Mr. Tan is a suitable candidate to, in effect, assume the responsibilities of the chief executive of the Company and the above arrangement can help improve the efficiency of the decision-making and execution process of the Company. The Company has put in place an appropriate check-and-balance mechanism through the Board and the Independent Non-executive Directors. In light of the above, the Board considers that the deviation from Code Provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of the Company.

Executive Directors

LI Ying (李鷹), aged 45, is the President and an Executive Director of the Company. He joined the Group in January 2015 and was appointed as a Director of the Company in June 2015. In October 2016, he was re-designated as an Executive Director of the Company. Prior to joining the Group, Mr. Li served as the deputy chief executive officer and a director of ICBC International Holdings Limited from 2009 to 2014. From 1998 to 2009, Mr. Li held various positions in the Head Office of the Industrial and Commercial Bank of China, including deputy general manager of the joint-stock reform office and deputy general manager of the department of corporate strategy and investor relationship.

Mr. Li graduated from the School of Finance of Renmin University of China with a Bachelor's degree in Economics in July 1993 and obtained a Master's degree in Economics from the same university in July 1995. He also received a Doctorate degree in Economics from Renmin University of China in June 1998.

CHENG Chuange (程傳閣), aged 52, is the Deputy Chief Executive Officer and an Executive Director of the Company. He joined the Group in July 2007 and was appointed as the Deputy Chief Executive Officer in March 2010 and as a Director of the Company in June 2010. In October 2016, he was re-designated as an Executive Director of the Company. Prior to joining the Group, Mr. Cheng served as a director of Concorde Securities Limited from December 2001, the deputy general manager from November 2003 and the vice president from February 2005. From 1995 to 2003, Mr. Cheng worked in various financial institutions, including participating in the setting up of Shenzhen City Commercial Bank and holding various positions in the bank since 1995; serving as the general manager in planned fund department and the assistant to the president of the Guangzhou branch of China Everbright Bank since 1997 and 1998 respectively; and participating in the establishment of the southern headquarters of Three Gorges Securities Company Limited from November 2000 to November 2001 and serving as the general manager of the southern headquarters from September 2001 to September 2003.

Mr. Cheng graduated from Zhengzhou University in the PRC with a Bachelor's degree in Philosophy in June 1987. He obtained a Master's degree in Philosophy from Wuhan University in July 1990 and a Doctorate degree in Economics from Wuhan University in December 1997. He obtained the qualification of senior economist in November 1999.

Non-executive Directors

WANG Yijun (王憶軍), aged 45, was appointed as a Director of the Company in June 2015. In October 2016, he was re-designated as a Non-executive Director of the Company. He has been a director of Bank of Communications Financial Leasing Co., Ltd. since June 2015, the General Manager of the Strategic Investment Department of BOCOM and the Chairman of the Supervisory Board of Bank of Communications Schroder Fund Management Co., Ltd. since July 2015 and the Chairman of the Supervisory Board of BoComm Life Insurance Company Limited since November 2016.

Mr. Wang joined BOCOM in July 1994. He was the deputy officer of the General Office of BOCOM from October 2003 to June 2004. He was the deputy officer (from June 2004 to February 2006), senior manager (from February 2006 to October 2007), assistant general manager (from October 2007 to January 2010) and deputy general manager (from January 2010 to January 2012) of the Corporate Affairs Department of BOCOM. He also served as the deputy general manager of the Investment Banking Department of BOCOM from January 2012 to July 2013 and the vice president of the Jiang Su Branch of BOCOM from July 2013 to April 2015. He was the general manager of the Investment Management Department of BOCOM from April 2015 to July 2015.

Mr. Wang graduated from Shanghai University of International Business and Economics (formerly known as Shanghai Institute of Foreign Trade) in the PRC with a Bachelor's degree in International Trade in July 1994. He received a Master's degree in Business Administration from a joint programme by the University of Hong Kong and Fudan University in July 2001.

LIN Zhihong (林至紅), aged 48, was appointed as a Director of the Company in November 2014. In October 2016, she was re-designated as a Non-executive Director of the Company. She has been the General Manager of the Financial Budget Department of BOCOM since November 2013.

Ms. Lin joined BOCOM in July 1990. She was the deputy officer (from January 2000 to June 2003) and the officer (from June 2003 to December 2004) of the Finance and Accounting Department of BOCOM. She was the senior manager (budget management) of the Financial Budget Department of BOCOM from December 2004 to August 2007. She was the deputy general manager of the Financial Budget Department from August 2007 to July 2013.

Ms. Lin graduated from Shanghai Jiao Tong University in the PRC with a Bachelor's degree in Finance in July 1998. She received a Master's degree from the EMBA programme by Shanghai University of Finance and Economics in October 2010.

SHOU Fugang (壽福鋼), aged 55, was appointed as a Director in August 2007. In October 2016, he was re-designated as a Non-executive Director of the Company. He has been the Chief Executive Officer of BOCOM (Hong Kong Branch) since July 2007, the Chairman of Bank of Communications (Hong Kong) Limited since April 2017, a director of BCOM Finance (Hong Kong) Limited since August 2000, the Chief Executive of BCOM Finance (Hong Kong) Limited since September 2007 and the Chairman of China BOCOM Insurance Company Limited since November 2010.

Mr. Shou joined BOCOM in July 1987. He was the deputy officer (from July 1994 to November 1996) and officer (from November 1996 to November 1999) of the International Banking Department of BOCOM. He was the deputy general manager of the Overseas Business Department of BOCOM from November 1999 to February 2000 and was the deputy general manager of BOCOM (Hong Kong Branch) from February 2000 to July 2007.

Mr. Shou graduated from Fudan University in the PRC with a Bachelor's degree in Political Economics in July 1984. He received a Master's degree in Political Economics from Fudan University in July 1987 and a Master's degree in Business Administration jointly awarded by Northwestern University and Hong Kong University of Science and Technology in May 2004.

Independent Non-executive Directors

TSE Yung Hoi (謝湧海), aged 64, was appointed as an Independent Non-executive Director of the Company in June 2014. He is currently the chairman of BOCI-Prudential Asset Management Limited. He was the deputy chief executive officer of BOC International Holdings Limited from 2002 to 2012, the deputy general manager of the Investment Management Department and the deputy general manager of the Trading Department of the Head Office of Bank of China from 1998 to 2002.

Mr. Tse is an independent non-executive director of Global Tech (Holdings) Limited (stock code: 00143) and iOne Holdings Limited (stock code: 00982) and a non-executive director of DTXS Silk Road Investment Holdings Company Limited (stock code: 00620) (all of the above companies are listed on the Stock Exchange). He was an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) (which is listed on the Stock Exchange) from October 2015 to June 2016.

Mr. Tse graduated from Fudan University in the PRC with a Bachelor's degree in English in July 1975. He was awarded the Bronze Bauhinia Star by the HKSAR government in July 2013. He is also the Life Honourary President of the Chinese Securities Association of Hong Kong and a member of the 12th Chinese People's Political Consultative Conference Shanghai Committee.

MA Ning (馬宁), aged 44, was appointed as an Independent Non-executive Director of the Company in October 2016. He has served as a managing partner of Tibet Lingfeng Venture Investment Partnership since August 2015, and he held various positions with Beijing Gao Hua Securities Company Limited and served as the deputy general manager and managing director from May 2010 to June 2015. From August 2002 to April 2010, he held various positions with and served as a Managing Director of Goldman Sachs (Asia) L.L.C.. He also worked at the People's Bank of China (Head Office) from August 1996 to July 2002 where he was involved in devising policies and regulating the non-bank financial institutions in the PRC.

Mr. Ma graduated from Renmin University of China with a Bachelor's degree in Economics in July 1993. He obtained a Master's degree in International Finance from the Graduate School of the People's Bank of China in February 1996 and a Master's degree in Business Administration from London Business School in August 2002.

LIN Zhijun (林志軍), aged 62, was appointed as an Independent Non-executive Director of the Company in October 2016. Mr. Lin is an independent non-executive director of CITIC Dameng Holdings Limited (stock code: 1091), China Everbright Limited (stock code: 0165), Sinotruk (Hong Kong) Limited (stock code: 3808), Springland International Holdings Limited (stock code: 1700) and Dali Foods Group Company Limited (stock code: 3799), which are companies listed on the Stock Exchange. Mr. Lin was an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (stock code: 0564), a company listed on the Stock Exchange, from February 2012 to April 2014.

He has served as the Dean of the Business School of the Macau University of Science and Technology since January 2015 and had held various positions in the School of Business of Hong Kong Baptist University from September 1998 to December 2014. He was a visiting professor at the School of Business of the University of Hong Kong from September 1996 to June 1998 and was a faculty member (a tenured associate professor since July 1994) at the Faculty of Management at the University of Lethbridge, Canada from August 1990 to August 1998.

Mr. Lin obtained a Master's degree in Economics (accounting) from Xiamen University in December 1982 and a Doctorate degree in Economics in December 1985. He also obtained a Master's degree in Business Administration from University of Saskatchewan, Canada in October 1991. He became a member of the American Institute of Certified Public Accountants since August 1995 and the Chinese Institute of Certified Public Accountants since June 1995. He is also a Chartered Global Management Accountant (CGMA) and a Certified Management Accountant (CMA) of Australia.

In view of Mr. Lin's experience in reviewing or analysing audited financial statements of private and public companies, we believe that Mr. Lin has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

Save as disclosed above in "— *Board of Directors*" above and *"Appendix V — Statutory and General Information"*, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE GROUP

The Executive Directors and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Executive Directors is set out in *"— Board of Directors"* above.

In addition to the Executive Directors, the members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Joining the Group	Date of Appointment as Senior Management
XI Xuanhua (席絢樺)	44	Managing Director and General Manager of BOCOM International Securities	Responsible for overseeing securities brokerage and futures businesses and research	23 August 2005	23 August 2005
LU Xiangrong (呂向荣)	38	General Manager of BOCOM International Asset Management	Responsible for overseeing asset management business	16 March 2015	16 March 2015
SUM Wai Kei Wilfred (岑偉基)	52	Head of Corporate Finance, Equity Capital Markets and Debt Capital Markets Department	Responsible for overseeing the corporate finance, equity capital markets and debt capital markets businesses of the Group	12 September 2008 initially	29 March 2017
LI Hongli (李宏麗)	43	General Manager of BOCOM International (Shanghai)	Responsible for overseeing the Group's business in the PRC	24 October 2011	8 April 2015
CHOI Suet Yin (蔡雪燕)	44	Financial Controller	Responsible for overseeing the finance and accounting functions of the Group	3 August 2009	3 August 2009

Name	Age	Position in the Group	Roles and Responsibilities	Date of Joining the Group	Date of Appointment as Senior Management
CHAN Chun Kwok Joe (陳振國)	43	Head of Legal and Compliance Department	Responsible for overseeing legal and compliance matters of the Group	8 June 2015	8 June 2015
YI Li (伊莉)	38	Joint Company Secretary and Head of Executive Office of the Company	Responsible for company secretarial and general managerial matters of the Group	3 December 2012	9 March 2016

XI Xuanhua (席絢樺), aged 44, is the Managing Director and General Manager of BOCOM International Securities since March 2015. Ms. Xi joined the Group in August 2005 and had held various positions in the Company. She was a Director and Head of China Sales Desk from 2005 to 2007, the Executive Director and Head of China Sales department from 2007 to 2009, the Managing Director and Head of Equity Sales department from 2009 to 2013 and the Managing Director and Head of Institution and Equity Business from 2013 to 2015. Immediately prior to joining the Group in August 2005, Ms. Xi was an Associate Director of the China Sales of ICEA Securities Limited.

Ms. Xi graduated from Fudan University in the PRC with a Bachelor degree in Economics in July 1995. She also obtained an EMBA from Shanghai Jiao Tong University in June 2012.

LU Xiangrong (呂向荣), aged 38, is the General Manager of BOCOM International Asset Management. He joined the Group in March 2015. Prior to joining the Group, Mr. Lu had been the Head of Corporate Finance Department of Industrial and Commercial Bank of China (Asia) Limited since November 2011 and had been the Deputy Head of Institutions Department since March 2013. Mr. Lu also held various positions in the Asset Management Department and the Global Market Department of the Head Office of the Industrial and Commercial Bank of China from 2000 to 2011 and has gained over 15 years of experience in investments in bonds, equities, funds, derivative and foreign exchange products.

Mr. Lu graduated from Peking University in the PRC with a Bachelor's degree in Economics in July 2000. He also obtained a Master's degree in Business Administration from Tsinghua University in July 2010.

SUM Wai Kei Wilfred (岑偉基), aged 52, is the Head of the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department of the Group. He first joined the Group in September 2008. He had been with the Group from September 2008 to September 2016 and re-joined the Group in March 2017. Mr. Sum has over 15 years of experience in the execution and supervision of various initial public offerings, financial advisory and capital market transactions. Between 2002 and 2008, Mr. Sum had been with TSC Capital Limited (now known as KGI Capital (Hong Kong) Limited). He was with CEB International Capital Corporation Limited and Celestial Capital Limited between September 2016 and March 2017.

Mr. Sum was admitted as a member of the Australian Society of Certified Practising Accountants between 1997 and 2008. Mr. Sum has obtained a Bachelor's degree in Science from the University of East Anglia in England in 1986 and a Master's Degree in Commerce from the University of New South Wales in Australia in 1992.

LI Hongli (李宏麗), aged 43, is the General Manager of BOCOM International (Shanghai). She joined the Group in October 2011 and had held various positions within the Group, including the General Manager of Investment Banking Division (China) of the Group. Ms. Li held various positions within BOCOM in Henan

Province in the PRC, including the branch manager and the General Manager of the Corporate Department, from July 1994 to October 2011.

Ms. Li obtained a Master of Business Administration in banking and finance from University of Wales, Bangor in the United Kingdom in July 2006.

CHOI Suet Yin (蔡雪燕), aged 44, is the Financial Controller of the Company. Ms. Choi has been responsible for overseeing the finance and accounting functions of the Group since she joined the Group in August 2009. She had been the Head of Finance and Accounting Department since August 2009 and has served as the Financial Controller since February 2017. She is a director of BOCOM International (Shanghai), a subsidiary of the Company in the PRC, since 2014. Prior to joining the Group, Ms. Choi was the financial controller of Value Convergence Holdings Limited (stock code: 0821), a company listed on the Stock Exchange, from 2007 to 2009. Ms. Choi has over 15 years of experience in the financial industry through her roles in various securities houses and subsidiaries of Hong Kong listed companies, including Tai Fook Management Services Company Limited from 2001 to 2005 and Lippo Securities Limited from 1999 to 2001 and from 2005 to 2007.

Ms. Choi graduated from The Hong Kong Polytechnic University with a Bachelor's degree in Accountancy in July 1999. She became a fellow member of the Association of Chartered Certified Accountants since November 2006, a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and an associate of the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries since February 2002.

CHAN Chun Kwok Joe (陳振國), aged 43, has been the Head of Legal and Compliance Department of the Group since he joined the Group in June 2015. He is responsible for overseeing the legal and compliance matters of the Group. Mr. Chan has over 18 years of experience in the financial field. Prior to joining the Group, Mr. Chan had held various positions in the Securities and Futures Commission, CITIC Securities International Company Limited and The Hongkong and Shanghai Banking Corporation.

Mr. Chan graduated from The Hong Kong University of Science and Technology with a Bachelor's degree in Science in November 1997. He also obtained a Bachelor's degree in Banking and Finance from the University of London in August 2003, a Master's degree in Corporate and Financial Law from The University of Hong Kong in November 2013 and a Postgraduate Diploma in Professional Accounting from The University of Hong Kong in April 2008. Mr. Chan has been a Chartered Financial Analyst (CFA) since September 2004.

YI Li (伊莉), aged 38, is one of the joint company secretaries of the Company. Ms. Yi joined the Company in December 2012 and has been the Head of Executive Office of the Group since March 2016. Prior to joining the Group, she worked in a judicial organisation in the PRC from July 2005 to August 2012.

Ms. Yi graduated from Shandong University of Finance and Economics (formerly known as Shandong Economics University) with a Bachelor's degree in International Finance in July 2001. She also obtained a Master's degree in Law from Peking University in June 2005. Ms. Yi also obtained the PRC legal professional qualification certificate in February 2005.

CHANGE IN PERSONNEL

With effect from 13 March 2017, the previous Head of Corporate Finance, Equity Capital Markets and Debt Capital Markets Department of the Group ceased to be a Responsible Officer and a Licensed Representative accredited to BOCOM International Asia and BOCOM International Securities, the Head of Corporate Finance, Equity Capital Markets and Debt Capital Markets Department of the Group and the General Manager of BOCOM International Asia. He joined the Group in June 2014.

Mr. Sum Wai Kei Wilfred re-joined the Group and was appointed as the Head of the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department with effect from 20 March 2017. See above for further biographical details of Mr. Sum. Mr. Sum has more than 15 years of experience in and has in-depth

knowledge of the securities industry in Hong Kong. He was a Responsible Officer and a Licensed Representative accredited to BOCOM International Asia from 12 September 2008 to 6 September 2016, and his last position with the Group in September 2016 (before re-joining the Group in March 2017) was the Deputy Head of the Corporate Finance, Equity Capital Markets and Debt Capital Markets Department. As a result of his previous experience working in the Group, Mr. Sum is familiar with the businesses, operations and corporate culture of BOCOM International Asia and the Group generally. The above changes in personnel do not involve any change in the composition of the board of directors of BOCOM International Asia which comprises Mr. Tan Yueheng, Mr. Li Ying and Mr. Cheng Chuange, all being Executive Directors of the Company.

The business operations of BOCOM International Asia have been managed and supervised by the Board of Directors, the directors of BOCOM International Asia, the senior management team of the Group and the Responsible Officers of BOCOM International Asia collectively. The Directors believe that despite the above changes in personnel, BOCOM International Asia has sufficient Responsible Officers and Licensed Representatives who are familiar with the businesses and operations of BOCOM International Asia for the proper and continuous management and daily operation of its businesses. The Directors believe that the above changes in personnel do not have any material adverse impact on the management and operation of the businesses of BOCOM International Asia or the Group as a whole, and has not led to any material disruption in the businesses or management of BOCOM International Asia or the Group as a whole.

JOINT COMPANY SECRETARIES

YI Li (伊莉) is one of the joint company secretaries of the Company. Ms. Yi is also a member of the senior management of the Group. Please see *"— Senior Management of the Group"* above for her biography.

KWONG Yin Ping Yvonne (鄺燕萍) is one of the joint company secretaries of the Company. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SW Corporate Services Group Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Stock Exchange.

Ms. Kwong received a Bachelor's degree in Accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators since December 2012.

BOARD COMMITTEES

The Board has established the Executive Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee.

Executive Committee

The Company has established the Executive Committee of the Board. The primary duty of the Executive Committee is to consider and approve various matters in relation to the Group's day-to-day operations including without limitation proposed transactions in various businesses of the Group and certain corporate actions the values of which are within their respective specified thresholds, but excluding matters that are expressly required to be approved by the Board pursuant to applicable laws and rules, regulatory requirements and the articles of association of the Company.

The Executive Committee consists of all the Executive Directors of the Company. The members of the Executive Committee are:

TAN Yueheng *(Chairman)*
LI Ying
CHENG Chuange

Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit and Risk Management Committee are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment.

The Audit and Risk Management Committee consists of three Directors. The members of the Audit and Risk Management Committee are:

LIN Zhijun (*Chairman*)
TSE Yung Hoi
LIN Zhihong

Remuneration Committee

The Company has established a remuneration committee of the Board in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee consists of four Directors. The members of the Remuneration Committee are:

TSE Yung Hoi (*Chairman*)
MA Ning
LIN Zhijun
SHOU Fugang

Nomination Committee

The Company has established a nomination committee of the Board as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive directors and make recommendations to the Board on the appointment and re-appointment of directors and succession planning for directors.

The Nomination Committee consists of five Directors. The members of the Nomination Committee are:

TAN Yueheng (*Chairman*)
WANG Yijun
TSE Yung Hoi
MA Ning
LIN Zhijun

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For each of the financial years ended 31 December 2014, 2015 and 2016, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind, bonuses and other contributions to pension schemes paid by the Group to the Directors were approximately HK$5.1 million, HK$15.7 million and HK$12.5 million, respectively.

Under the current arrangements and subject to the final determination of discretionary bonuses, the aggregate remuneration and benefits in kind payable to the Directors for the financial year ending 31 December 2017 are estimated to be approximately HK$17.5 million.

For the financial year ended 31 December 2014 and 2016, none of the five highest paid individuals was a Director, and the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind, bonuses and other contributions to pension schemes paid by the Group to the five highest paid individuals was approximately HK$18.7 million and HK$28.9 million, respectively. For the financial year ended 31 December 2015, one of the five highest paid individuals was a Director and the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind, bonuses and other contributions to pension schemes paid by the Group to the four remaining highest paid individuals was approximately HK$28.3 million.

During the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Directors is set out in *"Appendix V — Statutory and General Information"*.

COMPLIANCE ADVISER

The Company has appointed Haitong International Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

FUTURE PLANS

See "*Business — Business Strategies*" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$2.85 per Share (being the mid-point of the Offer Price Range of between HK$2.60 and HK$3.10 per Share), we estimate that we will receive net proceeds of approximately HK$1,794.8 million from the Global Offering after deducting the underwriting commissions and other estimated expenses borne by the Company in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 45% of the net proceeds, or approximately HK$807.6 million, is expected to be used for expanding our margin financing business, particularly by contributing capital to our margin financing business to satisfy the financing needs of our clients.

- approximately 15% of the net proceeds, or approximately HK$269.2 million, is expected to be used for expanding our asset management and advisory business, particularly by:

  - increasing seed money to establish new funds;

  - investing in funds with high potential, although we do not currently have any specific targets; and

  - expanding in the PRC and into other markets by establishing offices or subsidiaries in targeted regions.

- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for expanding our investment and loans business, particularly by:

  - prudently increasing our investment scale in fixed income securities for our equity and fixed income investment business; and

  - investing in companies of selected industries through extending loans or direct equity investment.

- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for developing our IT infrastructure and internal control systems, particularly by:

  - upgrading our existing IT and internal control systems; and

  - building an integrated platform for our business lines and enhancing cross-selling among different business units.

- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for attracting and retaining talent as well as optimising our human resources structure.

- approximately 10% of the net proceeds, or approximately HK$179.5 million, is expected to be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK$3.10 per Share, being the Maximum Offer Price stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be increased by approximately HK$162.8 million. If the Offer Price is fixed at HK$2.60 per Share, being the Minimum Offer

Price stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be reduced by approximately HK$162.8 million.

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$465.7 million (assuming an Offer Price of HK$3.10 per Share, being the Maximum Offer Price), (ii) HK$278.4 million (assuming an Offer Price of HK$2.85 per Share, being the mid-point of the Offer Price Range) and (iii) HK$91.2 million (assuming an Offer Price of HK$2.60 per Share, being the Minimum Offer Price). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds with licensed commercial banks or other authorised financial institutions for interest income. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

CORNERSTONE INVESTMENTS

As part of the International Offering, the Company has entered into cornerstone investment agreements with five cornerstone investors, details of which are set out below (together, the "**Cornerstone Investors**").

The Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for an aggregate amount of approximately HK$644,785,000.

Assuming an Offer Price of HK$2.60, being the Minimum Offer Price, the Cornerstone Investors have agreed to subscribe for an aggregate of 247,992,000 Offer Shares, representing (a) approximately 9.30% of the total Shares in issue and approximately 37.20% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and (b) approximately 8.96% of the total number of Shares in issue and approximately 32.35% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.85, being the mid-point of the Offer Price Range of HK$2.60 to HK$3.10, the Cornerstone Investors have agreed to subscribe for an aggregate of 226,238,000 Offer Shares, representing (a) approximately 8.48% of the total Shares in issue and approximately 33.94% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and (b) approximately 8.18% of the total number of Shares in issue and approximately 29.51% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$3.10, being the Maximum Offer Price, the Cornerstone Investors have agreed to subscribe for an aggregate of 207,992,000 Offer Shares, representing (a) approximately 7.80% of the total Shares in issue and approximately 31.20% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and (b) approximately 7.52% of the total number of Shares in issue and approximately 27.13% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and assuming the Over-allotment Option is exercised in full.

The Offer Shares to be delivered to each of the Cornerstone Investors pursuant to the relevant cornerstone investment agreements will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange and will count towards the public float of the Shares.

The Offer Shares to be delivered to the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering or any exercise of the Over-allotment Option, as further described in "*Structure of the Global Offering*".

Each Cornerstone Investor is an independent third party, is not a connected person of the Company and is not an existing Shareholder. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company.

The Cornerstone Investors (a) will not have any representation on the Board immediately following the completion of the Global Offering, (b) will not subscribe for any Offer Shares pursuant to the Global Offering, other than pursuant to the relevant cornerstone investment agreements and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements.

DETAILS OF THE CORNERSTONE INVESTORS

Cornerstone Investor	Investment Amount	Based on the Offer Price of HK$2.60 (being the Minimum Offer Price)				
		Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Kaiser Private Equity Fund SPC, in respect of SP I, a segregated portfolio of Kaiser Private Equity Fund SPC	US$30,000,000 (HK$233,271,000)	89,719,000	13.46%	11.70%	3.36%	3.24%
Sir Po Shing WOO	HK$156,000,000	60,000,000	9.00%	7.83%	2.25%	2.17%
Taiping Trustees Limited	HK$100,000,000	38,461,000	5.77%	5.02%	1.44%	1.39%
Da Cheng International Asset Management Company Limited, acting as the investment manager of the National Council for Social Security Fund	US$10,000,000 (HK$77,757,000)	29,906,000	4.49%	3.90%	1.12%	1.08%
Shandong Gold Financial Holdings Group (Hong Kong) Co., Limited	US$10,000,000 (HK$77,757,000)	29,906,000	4.49%	3.90%	1.12%	1.08%
Total	**HK$644,785,000**	**247,992,000**	**37.20%**	**32.35%**	**9.30%**	**8.96%**

Cornerstone Investor	Investment Amount	Based on the Offer Price of HK$2.85 (being the mid-point of the Offer Price Range)				
		Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Kaiser Private Equity Fund SPC, in respect of SP I, a segregated portfolio of Kaiser Private Equity Fund SPC	US$30,000,000 (HK$233,271,000)	81,849,000	12.28%	10.68%	3.07%	2.96%
Sir Po Shing WOO	HK$156,000,000	54,736,000	8.21%	7.14%	2.05%	1.98%
Taiping Trustees Limited	HK$100,000,000	35,087,000	5.26%	4.58%	1.32%	1.27%
Da Cheng International Asset Management Company Limited, acting as the investment manager of the National Council for Social Security Fund	US$10,000,000 (HK$77,757,000)	27,283,000	4.09%	3.56%	1.02%	0.99%
Shandong Gold Financial Holdings Group (Hong Kong) Co., Limited	US$10,000,000 (HK$77,757,000)	27,283,000	4.09%	3.56%	1.02%	0.99%
Total	**HK$644,785,000**	**226,238,000**	**33.94%**	**29.51%**	**8.48%**	**8.18%**

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

Information about Kaiser Private Equity Fund SPC, in respect of SP I, a segregated portfolio of Kaiser Private Equity Fund SPC

Kaiser Private Equity Fund SPC ("**Kaiser SPC**") is an exempted segregated portfolio company incorporated in the Cayman Islands. Kaiser SPC, in respect of SP I, a segregated portfolio of Kaiser SPC, has agreed to subscribe for the Shares for the account of SP I. Kaiser SPC is a fund wholly-owned by Kaiser Financial Group International Limited (together with its subsidiaries, "**Kaiser Financial Group**"), a financial services group

established in 1997. Kaiser Financial Group Company Limited (as guarantor) was incorporated in Hong Kong and is an investment holding company wholly-owned by Kaiser Financial Group. The Kaiser Financial Group is based in Hong Kong and is licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Kaiser Financial Group provides a diverse range of financial services from securities brokerage, trading of index futures, stock options and metal futures, and asset management. SP I is a discretionary fund and is an independent third party.

Information about Sir Po Shing WOO

Sir Po Shing WOO is the founder and consultant of Woo Kwan Lee & Lo and the chairman of Kailey Group of Companies. He is also the non-executive director of Sun Hung Kai Properties Limited (stock code: 16) listed on the Stock Exchange and the director of Henderson Development Limited.

Sir Po Shing WOO was admitted to practice as solicitor in England and Hong Kong and is also a member of Hong Kong Society of Notaries, a fellow of the Hong Kong Management Association and the Institute of Directors of England. He is the Honorary Legal Advisor of the Chinese Gold & Silver Exchange Society. He was awarded an Honorary Doctor of Laws by the City University of Hong Kong and is a fellow of King's College of London. He is also the founder of the "Woo Po Shing Medal in Law" and the "Woo Po Shing Overseas Summer School Travelling Scholarship", both at the University of Hong Kong, and the "Woo Po Shing Professor (Chair) of Chinese and Comparative Law" at the City University of Hong Kong.

Information about Taiping Trustees Limited

Taiping Trustees Limited is a subsidiary of China Taiping Insurance Group Ltd.. All of the Offer Shares to be subscribed by Taiping Trustees Limited will be beneficially owned by China Taiping Insurance Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 966) and the ultimate controlling shareholder is China Taiping Insurance Group Ltd.. Taiping Trustees Limited is subscribing as trustee on behalf of subsidiaries of China Taiping Insurance Holdings Company Limited. China Taiping Insurance Group is a PRC state-owned financial and insurance group, and is currently a long standing national brand in China's insurance industry. Its business covers life insurance, general insurance, pension plans, reinsurance, securities brokerage, asset management and non-financial investment, and its operations have presence in many countries and regions including the PRC, Hong Kong, Macau, Europe, Oceania, East Asia and Southeast Asia.

Information about Da Cheng International Asset Management Company Limited, acting as the investment manager of the National Council for Social Security Fund

Established in Hong Kong on 19 March 2009, Da Cheng International Asset Management Company Limited, a wholly-owned subsidiary of Da Cheng Fund Management Company Limited, strives to provide comprehensive and integrated asset management and investment consultancy services for its clients. Pursuant to the SFO, it was licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities, and it obtained the qualification as an investment manager of the National Social Security Fund in 2015 to serve as an investment manager of the National Council for Social Security Fund (全國社會保障基金理事會) ("**NSSF**"). Da Cheng International Asset Management Company Limited has agreed to subscribe for the Shares for NSSF, which will be the beneficial owner of the Shares. Da Cheng International Asset Management Company Limited has a mature product line, which consists of public funds (including investments in China's securities markets and overseas securities markets), private funds and portfolios of discretionary accounts.

The National Social Security Fund, established by the State Council of the PRC and managed by the NSSF, serves as the social security strategic reserve centralised by the PRC government to meet the social security needs of the future aging population. The NSSF is permitted to invest in domestic investments and overseas investments, such as bonds, stocks, funds and derivative instruments. As at 31 December 2016, the NSSF held a total of 1,877,513,451 A shares and 9,042,396,332 H shares of BOCOM, representing 14.70% of BOCOM's total ordinary shares issued.

Information about Shandong Gold Financial Holdings Group (Hong Kong) Co., Limited

Shandong Gold Financial Holdings Group (Hong Kong) Co., Limited ("**SDGFHG(HK)**") was established in July 2015. It is an indirectly wholly-owned subsidiary and the overseas investment and financing platform of Shandong Gold Group Co., Ltd., which is a large state-owned enterprise in China with the core business in gold mining.

The main businesses of SDGFHG(HK) include stocks, futures, bonds and foreign exchange investments. SDGFHG(HK) has set up three wholly-owned subsidiaries in Hong Kong. One of its subsidiaries, SDG Asset Management (HK) Limited, has been granted with Type 4 (advising on securities) and Type 9 (asset management) licences by the SFC on 12 October 2016 and can carry out asset management business.

CONDITIONS PRECEDENT

The obligation of each Cornerstone Investor to subscribe, and the obligation of the Company to issue and deliver, the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

(a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Underwriting Agreements having been terminated;

(c) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the relevant cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;

(d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

(e) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor in the relevant cornerstone investment agreement remaining true and accurate in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement and any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor.

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

1. Waiver in Relation to Non-exempt Continuing Connected Transactions

Certain members of the Group have entered into certain transactions which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules following the Listing. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and the requirement of setting a maximum daily balance for the Group's deposits placed with BOCOM under Rule 14A.53 of the Listing Rules. See *"Connected Transactions — Waiver Applications for Non-exempt Continuing Connected Transactions"*.

2. Waiver in Relation to the Appointment of Joint Company Secretaries

Rules 8.17 and 3.28 of the Listing Rules require an issuer to appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries, (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance) or (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

The Company has appointed Ms. YI Li and Ms. KWONG Yin Ping Yvonne as joint company secretaries. Ms. Kwong, being a member of The Hong Kong Institute of Chartered Secretaries, satisfies the requirements under Rules 8.17 and 3.28 of the Listing Rules. While the Directors consider that Ms. Yi is capable of discharging her duty as a company secretary of the Company by virtue of her academic background and experience (as detailed in "*Directors and Senior Management*"), she does not possess the acceptable professional or academic qualifications as stated in Rule 3.28 of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 8.17 and 3.28 of the Listing Rules, subject to the Company adopting the following arrangements:

(a) Ms. Kwong will work closely with Ms. Yi to jointly discharge the duties and responsibilities as company secretaries of the Company and assist Ms. Yi to acquire the relevant experience as required under the Listing Rules;

(b) Ms. Kwong has been appointed as a joint company secretary of the Company for a term of three years from the Listing Date, a period which should be sufficient for Ms. Yi to acquire the relevant experience as required under the Listing Rules;

(c) the Company will ensure that Ms. Yi has access to the relevant training and support to enable her to familiarise herself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Ms. Yi will endeavour to attend relevant training on the Listing Rules; and

(d) before expiry of Ms. Kwong's initial term of appointment as a joint company secretary of the Company, an evaluation will be made of the qualifications and experience of Ms. Yi and the need for ongoing assistance. The waiver will be revoked immediately if Ms. Kwong ceases to provide assistance to Ms. Yi during the three year period.

3. Permission for Allocation of Shares to Directors and/or their Close Associates

The Qualifying BOCOM H Shareholders who are entitled to participate in the Preferential Offering include certain Directors and/or their close associates. In the absence of a prior written consent from the Stock Exchange,

participation by the Directors and/or their close associates who are Qualifying BOCOM H Shareholders in the Preferential Offering would be prohibited by paragraph 5(2) of Appendix 6 to the Listing Rules which restricts share allocations to directors of the listing applicant or their close associates, whether in their own names or through nominees, unless the conditions set out in Rule 10.03 of the Listing Rules are fulfilled.

Rule 10.03 of the Listing Rules provides that directors of the listing applicant and their close associates may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant if (a) no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities and (b) the minimum prescribed percentage of the public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. The Reserved Shares offered to the Directors and/or their close associates who are Qualifying BOCOM H Shareholders are to be offered on a preferential basis pursuant to the Preferential Offering and therefore the condition set out in Rule 10.03(1) of the Listing Rules is not fulfilled. However, the Directors and/or their close associates who are eligible to participate in the Preferential Offering will be participating in their capacity as Qualifying BOCOM H Shareholders (rather than in their capacity as Directors or the close associates of Directors), on the same terms as all other Qualifying BOCOM H Shareholders, and not on a basis of preferential treatment given to them in their capacity as Directors or close associates of Directors.

In view of the above, the Company has sought the Stock Exchange's consent for, and the Stock Exchange has consented to, the inclusion of the Directors and/or their close associates in the Preferential Offering notwithstanding the requirements under paragraph 5(2) of Appendix 6 to the Listing Rules and the requirements under Rule 10.03 of the Listing Rules, subject to the conditions that (a) no preferential treatment will be given to the Directors and/or their close associates who are Qualifying BOCOM H Shareholders in the allocation of the Reserved Shares under the Preferential Offering and (b) the minimum public float requirement under Rule 8.08(1) of the Listing Rules will be complied with.

HONG KONG UNDERWRITERS

BOCOM International Securities Limited
China International Capital Corporation Hong Kong Securities Limited
Haitong International Securities Company Limited
China Securities (International) Corporate Finance Company Limited
The Hongkong and Shanghai Banking Corporation Limited
CLSA Limited
ICBC International Securities Limited
ABCI Securities Company Limited
BOCI Asia Limited
CCB International Capital Limited
Guotai Junan Securities (Hong Kong) Limited
CMB International Capital Limited
GF Securities (Hong Kong) Brokerage Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 66,668,000 Hong Kong Offer Shares and the International Offering of initially 600,012,000 International Offer Shares (including the Preferential Offering), subject, in each case, to reallocation on the basis as described in "*Structure of the Global Offering*" as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 4 May 2017. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 66,668,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and to and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering is expected to be fully underwritten by the International Underwriters.

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency, credit, fiscal, regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, earthquake, flooding, civil commotion, riots, public disorder, acts of war, acts of terrorism, acts of God, outbreak of diseases or epidemics, economic sanction) in or affecting any Relevant Jurisdiction; or

(iv) any national or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency in or affecting any Relevant Jurisdiction; or

(v) any moratorium, suspension or limitation on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Exchange Limited, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(vi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in of affecting any Relevant Jurisdiction; or

(vii) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction, or (B) change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(viii) without the prior written consent of the Joint Representatives, the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(ix) any contravention by any member of the Group of any Law (as defined under the Hong Kong Underwriting Agreement); or

(x) the chairman of the Company vacating his office, or any litigation, arbitration or claim being instigated against, or a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other proceedings, or announcing an intention to investigate or take other action or proceedings against any member of the Group or any of the Directors, or any of them being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or any announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xi) a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xii) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law,

which, in any such case individually or in the aggregate, in the sole opinion of the Joint Representatives (for themselves and on behalf of the other Hong Kong Underwriters):

(A) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, financial position, or prospects of the Group as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make it or may make it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering, the performance of the Hong Kong Underwriting Agreement in accordance with its terms, or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or

(b) there has come to the notice of the Joint Representatives:

(i) that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete or incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements so issued is not fair and honest and based on reasonable assumptions; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) either (i) there has been a material breach of any of the undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company, BOCOM and/or BOCOM (Nominee) or (ii) any of the representations and warranties given by the Company, BOCOM and/or BOCOM (Nominee) in the Hong Kong Underwriting Agreement or the

International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company, BOCOM and/or BOCOM (Nominee) pursuant to the indemnities given by the Company, BOCOM and/or BOCOM (Nominee) under the Hong Kong Underwriting Agreement; or

(v) any expert set out in "*Statutory and General Information — Qualifications and Consents of Experts*", has withdrawn its respective consent (other than the withdrawal of consent by the Joint Sponsors without a reason); or

(vi) any material adverse change or development involving a prospective adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of the Group, as a whole; or

(vii) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into Shares (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the exercise of the Over-allotment Option) or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the controlling shareholders of the Company

Pursuant to Rule 10.07 of the Listing Rules, each of the controlling shareholders of the Company has undertaken to the Company and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and any lending of Shares pursuant to the Stock Borrowing Agreement, that it will not, and shall procure that any other registered holder(s) (if any) will not:

(i) in the period commencing on the date by reference to which disclosure of their respective holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it is shown in this prospectus to be the beneficial owner(s); and

(ii) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or 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 in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or the group of the controlling shareholders of the Company would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the controlling shareholders of the Company has further undertaken to the Company and to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when it pledges or charges of any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of such Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by any of the controlling shareholders of the Company and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

The Company has, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), it will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the period after the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any equity securities of the Company), or deposit any equity securities of the Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any equity securities of the Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the transactions specified in (i), (ii) or (iii) above or announce any intention to do so,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of such equity securities of the Company, in cash or otherwise (whether or not the issue of such equity securities of the Company will be completed within the First Six-Month Period).

In the event of, at any time during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), an issue or disposal of any Shares or any interest therein or the Company offering to or agreeing to or announcing any intention to effect any such transaction, the Company will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market in the Shares or other securities of the Company.

(B) Undertakings by the controlling shareholders of the Company

Under the Hong Kong Underwriting Agreement, each of BOCOM and BOCOM (Nominee) has undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save for the lending of Shares pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Representatives (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it will not, at any time during the First Six-month Period, (a) offer, pledge, charge, sell, contract to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of the Company), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such Shares or equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in sub-paragraph (a), (b) or (c) above is to be settled by delivery of equity securities of the Company in cash or otherwise;

(ii) it will not, during the Second Six-month Period, enter into any of the transactions specified in sub-paragraph (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following such transaction or action, it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-month Period, in the event that it enters into any of the transactions specified in sub-paragraph (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to enter into any such transaction, it will take all reasonable steps to ensure that such transaction or action will not, and no other action of BOCOM or BOCOM (Nominee) (as the case may be) will, create a disorderly or false market in the securities of the Company.

Indemnity

The Company has agreed to indemnify each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer as a result of the Company's breach of the provisions of the Hong Kong Underwriting Agreement.

In addition, each of BOCOM and BOCOM (Nominee) has jointly and severally agreed to indemnify each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer as a result of any breach by BOCOM and BOCOM (Nominee) of the provisions of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

The Hongkong and Shanghai Banking Corporation Limited, as one of the Hong Kong Underwriters, confirmed that it was interested in 14,135,636,613 of H shares of the Bank as at the Latest Practicable Date, representing approximately 19% of the total ordinary shares issued by the Bank. Other than the foregoing and

save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of the Company or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of the Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Underwriting Agreements.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to subscribe for or purchase or procure subscribers or purchasers for their respective proportions of the International Offer Shares which are not taken up under the International Offering. See "*Structure of the Global Offering — The International Offering*".

Over-allotment Option

The Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters during the 30 day period from the last day for lodging of applications under the Hong Kong Public Offering, which will end on Saturday, 10 June 2017, to require the Company to issue up to an aggregate of 100,002,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed. See "*Structure of the Global Offering — The International Offering — Over-allotment Option*".

Commissions and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 1.8% of the Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission and other fees, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay an underwriting commission at the rate applicable to the International Offering to the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Company may, in its sole and absolute discretion, pay any one or all of the Hong Kong Underwriters an additional incentive fee of up to 0.5% of the Offer Price for each Hong Kong Offer Share.

The aggregate underwriting commission and fees, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and all other expenses, payable by the Company relating to the Global Offering, are estimated to be approximately HK$105.2 million in total (based on an Offer Price of HK$2.85 per Share (being the mid-point of the Offer Price Range) and assuming the Over-allotment Option is not exercised).

An amount of approximately HK$6.80 million is payable by the Company as sponsor fee to the Joint Sponsors.

Over-allotment and Stabilisation

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in the section headed "*Structure of the Global Offering*".

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "*Structure of the Global Offering*". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

666,680,000 Offer Shares will be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of 66,668,000 Shares (subject to reallocation) in Hong Kong as described in "— *The Hong Kong Public Offering*" below; and

(b) the International Offering of an aggregate of initially 600,012,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S, as described in "— *The International Offering*" below.

Of the 600,012,000 Offer Shares initially being offered under the International Offering, 70,024,000 Offer Shares will be offered under the Preferential Offering to the Qualifying BOCOM H Shareholders as an Assured Entitlement as described in "— *The Preferential Offering*" below.

Investors may either:

(a) apply for Offer Shares under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for Offer Shares under the International Offering,

but may not do both (except that Qualifying BOCOM H Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible; or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so).

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 66,668,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Shares offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— *Conditions of the Global Offering*" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 33,334,000 Hong Kong Offer Shares being 50% of the 66,668,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering are liable to be rejected.

Reallocation and clawback

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the total number of Shares initially available under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 200,004,000 Offer Shares (in the case of (i)), 266,672,000 Offer Shares (in the case of (ii)) and 333,340,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives.

The Reserved Shares which are offered under the Preferential Offering to Qualifying BOCOM H Shareholders out of the Offer Shares being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$3.10 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— *Pricing of the Global Offering*" below, is less than the Maximum Offer Price of HK$3.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable BOCOM H Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying BOCOM H Shareholders are being invited to apply for an aggregate of 70,024,000 Reserved Shares in the Preferential Offering, representing approximately 11.67% and 10.50% of the Offer Shares initially available under the International Offering and the Global Offering, respectively, as an Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "— *The Hong Kong Public Offering — Reallocation and Clawback*" above.

The basis of the Assured Entitlement is one Reserved Share for every 500 BOCOM H Shares held by Qualifying BOCOM H Shareholders on the Record Date.

Qualifying BOCOM H Shareholders should note that their Assured Entitlement to the Reserved Shares may not represent a full board lot of 1,000 Shares. No odd lot matching services will be provided and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of Qualifying BOCOM H Shareholders to Reserved Shares are not transferrable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying BOCOM H Shareholders who hold less than 500 BOCOM H Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

Qualifying BOCOM H Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying BOCOM H Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service via **www.eipo.com.hk** and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying BOCOM H Shareholder applies for a number of Reserved Shares which is greater than the Qualifying BOCOM H Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying BOCOM H Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying BOCOM H Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you intend to apply for a number of Assured Entitlement or excess Reserved Shares which is not one of the numbers set out in the table in the **BLUE** Application Form for Assured Entitlement and excess Reserved Shares, you MUST apply by using **Blue Form eIPO** only. If you are a Qualifying BOCOM H Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for or apply for through the **Blue Form eIPO** service via **www.eipo.com.hk**.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Assured Entitlement not taken up by the Qualifying BOCOM H Shareholders (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Representatives, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

The Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial BOCOM H Shareholders (not being Non-Qualifying BOCOM H Shareholders) whose BOCOM H Shares are held by a nominee company should note that the Company will regard the nominee company as a single BOCOM H Shareholder according to the register of members of BOCOM. Accordingly, such Beneficial BOCOM H Shareholders whose BOCOM H Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial BOCOM H Shareholders (not being Non-Qualifying BOCOM H Shareholders) whose BOCOM H Shares are registered in

the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant BOCOM H Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying BOCOM H Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on the **BLUE** Application Form, Qualifying BOCOM H Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **White Form eIPO** service. Qualifying BOCOM H Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Qualifying BOCOM H Shareholders and Non-Qualifying BOCOM H Shareholders

Only BOCOM H Shareholders whose names appeared on the register of members of BOCOM on the Record Date and who are not Non-Qualifying BOCOM H Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying BOCOM H Shareholders are those BOCOM H Shareholders with registered addresses in, or who are otherwise known by BOCOM to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of BOCOM and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant BOCOM H Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of BOCOM and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the BOCOM H Shareholders in the Specified Territories. Having considered the circumstances, the directors of BOCOM and the Company have formed the view that it is necessary or expedient to restrict the ability of BOCOM H Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the BOCOM H Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying BOCOM H Shareholders are:

(a) BOCOM H Shareholders whose names appeared in the register of members of BOCOM on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) BOCOM H Shareholders or Beneficial BOCOM H Shareholders on the Record Date who are otherwise known by BOCOM to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms or the terms and conditions of the **Blue Form eIPO** service, the Company reserves the right to permit any BOCOM H Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Beneficial BOCOM H Shareholders who hold BOCOM H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

The Company has been advised by the Company's PRC legal adviser that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial BOCOM H Shareholders who hold BOCOM H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been despatched to all Qualifying BOCOM H Shareholders. In addition, Qualifying BOCOM H Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under BOCOM's corporate communications policy. For further details, see "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*" and on the **BLUE** Application Forms.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

Subject to reallocation as described above, the International Offering will consist of an offering of initially 600,012,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering. The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Offer Shares. The number of Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States only in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— *Pricing of the Global Offering*" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public

Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation and clawback

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— *The Hong Kong Public Offering*" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to 100,002,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares for a limited period after the Listing Date at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action, which if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may

be issued under the Over-allotment Option, namely, 100,002,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the Shares;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Prospective applications for investors in the Offer Shares should note that:

(a) as a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the Shares;

(b) the size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain;

(c) liquidation of any such long position by the Stabilising Manager and selling in the open market may lead to a decline in the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilising period, which begins on the Listing Date, and is expected to expire on Saturday, 10 June 2017, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and their market price, could fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;

(e) any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

An announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 100,002,000 Offer Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from BOCOM (Nominee) pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager and BOCOM (Nominee) on or about Thursday, 11 May 2017, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If the Stock Borrowing Agreement with BOCOM (Nominee) is entered into, the borrowing of Shares will only be effected by the Stabilising Manager for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with, being that (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, (b) the maximum number of Shares to be borrowed from BOCOM (Nominee) pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option, (c) the same number of Shares so borrowed must be returned to BOCOM (Nominee) or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full, (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements and (e) no payments will be made to BOCOM (Nominee) by the Stabilising Manager in relation to the stock borrowing arrangement.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 11 May 2017 and in any event on or before Thursday, 18 May 2017, by agreement between the Joint Representatives (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.10 per Share and is expected to be not less than HK$2.60 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.**

The Joint Representatives, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering and the

Preferential Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.bocomgroup.com**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon with the Company and the Joint Representatives, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives.

The Offer Price for Shares under the Global Offering, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares and the results of allocation in the Hong Kong Public Offering and the Preferential Offering are expected to be announced on Thursday, 18 May 2017 through a variety of channels in the manner described in "*How to Apply for Hong Kong Offer Shares and Reserved Shares — E. Publication of Results*".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and such approval not having been withdrawn;

(ii) the Offer Price having been duly agreed between the Company and the Joint Representatives (on behalf of the Underwriters) on the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Representatives (on behalf of the Underwriters) on or before Thursday, 18 May 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.bocomgroup.com**) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on 18 May 2017 but will only become valid certificates of title at 8:00 a.m. on 19 May 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "*Underwriting — Grounds for Termination*" has not been exercised at or before that time.

DEALING IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 May 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 19 May 2017. The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 3329.

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing (a) the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus and (b) the **BLUE** Application Forms to the relevant Qualifying BOCOM H Shareholders without them being accompanied by a printed prospectus, unless the relevant Qualifying BOCOM H Shareholders have elected to receive corporate communications in printed form under BOCOM's corporate communications policy or have not been asked to elect the means of receiving BOCOM's corporate communications, in which case the printed prospectus will be despatched to them separately. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.bocomgroup.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public and Qualifying BOCOM H Shareholders may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017 at the following locations:

1. any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
	Kennedy Town Sub-Branch	G/F., 113–119 Belcher's Street, Kennedy Town
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F., East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong
New Territories	Tseung Kwan O Sub-Branch	Shop Nos. 252A, 252B & 253 on Level 2, Metro City Phase I, Tseung Kwan O
	Tsuen Wan Sub-Branch	Shop G9B and G10–11 on G/F., Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Shatin Sub-Branch	Shop No. 193, Level 3, Shatin Lucky Plaza, Shatin

2. any of the following offices of the Joint Global Coordinators:

BOCOM International Securities Limited

9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

China Securities (International) Corporate Finance Company Limited

18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central, Hong Kong

CLSA Limited

18/F, One Pacific Place, 88 Queensway, Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every designated branch of Bank of Communications Co., Ltd. Hong Kong Branch where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;

- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Representatives, as the Company's agent, may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- you are a Director or chief executive of the Company and/or any of the Company's subsidiaries (other than a Director and/or his associates who are Qualifying BOCOM H Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering);
- you are a close associate of any of the above persons; or
- you are a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017 from:

(i) any of the following addresses of the Joint Global Coordinators:

BOCOM International Securities Limited
9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

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

CLSA Limited
18/F, One Pacific Place, 88 Queensway, Hong Kong

(ii) or any of the following branches of the receiving bank of the Hong Kong Public Offering:

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
	Kennedy Town Sub-Branch	G/F., 113–119 Belcher's Street, Kennedy Town
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F., East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong
New Territories	Tseung Kwan O Sub-Branch	Shop Nos. 252A, 252B & 253 on Level 2, Metro City Phase I, Tseung Kwan O
	Tsuen Wan Sub-Branch	Shop G9B and G10–11 on G/F., Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Shatin Sub-Branch	Shop No. 193, Level 3, Shatin Lucky Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — BOCOM Intl Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 5 May 2017 9:00 a.m. to 5:00 p.m.
- Saturday, 6 May 2017 9:00 a.m. to 1:00 p.m.
- Monday, 8 May 2017 9:00 a.m. to 5:00 p.m.
- Tuesday, 9 May 2017 9:00 a.m. to 5:00 p.m.
- Wednesday, 10 May 2017 9:00 a.m. to 5:00 p.m.
- Thursday, 11 May 2017 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 11 May 2017, the last application day or such later time as described in "*— D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have relied only on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(vi) agree that none of the Company, the Relevant Persons and the White Form eIPO Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares pursuant to the Preferential Offering);

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that except for an application made by a Qualifying BOCOM H Shareholder under the Preferential Offering, this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by

that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— *2. Who Can Apply*" above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO service.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, 5 May 2017 until 11:30 a.m. on Thursday, 11 May 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 11 May 2017, the last day for applications, or such later time under "— *D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "BOCOM International Holdings Company Limited" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Source of Dong Jiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant,** you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instruction are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company or the Relevant Persons is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, 5 May 2017 — 9:00 a.m. to 8:30 p.m.(1)
- Saturday, 6 May 2017 — 8:00 a.m. to 1:00 p.m.(1)
- Monday, 8 May 2017 — 8:00 a.m. to 8:30 p.m.(1)
- Tuesday, 9 May 2017 — 8:00 a.m. to 8:30 p.m.(1)
- Wednesday, 10 May 2017 — 8:00 a.m. to 8:30 p.m.(1)
- Thursday, 11 May 2017 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 11 May 2017, the last day for applications or such later time as described in "— *D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic applications. The Company, the Relevant Persons and the White Form eIPO Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 11 May 2017, the last day for applications, or such later time as described in "— *D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying BOCOM H Shareholder applying for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on the **BLUE** Application Form,

you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described "*Structure of the Global Offering — The Preferential Offering*".

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARES

1. WHO CAN APPLY

Only BOCOM H Shareholders whose names appeared on the register of members of BOCOM on the Record Date and who are not Non-Qualifying BOCOM H Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying BOCOM H Shareholders are those BOCOM H Shareholders with registered addresses in, or who are otherwise known by BOCOM to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of BOCOM and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant BOCOM H Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of BOCOM and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the BOCOM H Shareholders in the Specified Territories. Having considered the circumstances, the directors of BOCOM and the Company have formed the view that it is necessary or expedient to restrict the ability of BOCOM H Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the BOCOM H Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying BOCOM H Shareholders are:

(a) BOCOM H Shareholders whose names appeared in the register of members of BOCOM on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) BOCOM H Shareholders or Beneficial BOCOM H Shareholders on the Record Date who are otherwise known by BOCOM to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms or the terms and conditions of the **Blue Form eIPO** service, the Company reserves the right to permit any BOCOM H Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, BOCOM has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any BOCOM H Shares on behalf of the Non-Qualifying BOCOM H Shareholders, they are excluded from participating in the Preferential Offering.

Qualifying BOCOM H Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every 500 BOCOM H Shares held by them on the Record Date.

Qualifying BOCOM H Shareholders who hold less than 500 BOCOM H Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorised person under a valid power of attorney, the Company and the Joint Representatives, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Company and the Joint Representatives, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive of the Company and/or any of the Company's subsidiaries (other than a Director and/or his associates who are Qualifying BOCOM H Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering);
- a close associate of any of the above persons;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; or
- a Non-Qualifying BOCOM H Shareholder.

2. HOW TO APPLY

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying BOCOM H Shareholders either through the **Blue Form eIPO** service via **www.eipo.com.hk** or using **BLUE** Application Forms which have been despatched to Qualifying BOCOM H Shareholders by the Company.

Qualifying BOCOM H Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying BOCOM H Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying BOCOM H Shareholder applies for a number of Reserved Shares which is greater than the Qualifying BOCOM H Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying BOCOM H Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying BOCOM H Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you intend to apply for a number of Assured Entitlement or excess Reserved Shares which is not one of the numbers set out in the table in the BLUE Application Form for Assured Entitlement and excess Reserved Shares, you MUST apply by using **Blue Form eIPO** only. If you are a Qualifying BOCOM H Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for or apply for through the **Blue Form eIPO** service via **www.eipo.com.hk**.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Representatives, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying BOCOM H Shareholders who have applied for Reserved Shares under the Preferential Offering, either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on the **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing

or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying BOCOM H Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Persons who held their BOCOM H Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their BOCOM H Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. DISTRIBUTION OF THIS PROSPECTUS AND THE BLUE APPLICATION FORMS

BLUE Application Forms have been despatched to all Qualifying BOCOM H Shareholders to their address recorded on the register of members of BOCOM on the Record Date.

In addition, Qualifying BOCOM H Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under BOCOM's corporate communications policy.

If a Qualifying BOCOM H Shareholder has elected to receive corporate communications from BOCOM in printed form under BOCOM's corporate communications policy or has not been asked to elect the means of receiving BOCOM's corporate communications, a printed copy of this prospectus in the elected language version(s) (if applicable) will be despatched to such Qualifying BOCOM H Shareholder.

If a Qualifying BOCOM H Shareholder (a) has elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from BOCOM, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.bocomgroup.com** and the Stock Exchange at **www.hkexnews.hk** under the section headed "*HKEXnews > Listed Company Information > Latest Listed Company Information*".

A Qualifying BOCOM H Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to BOCOM c/o Computershare Hong Kong Investor Services Limited or by email to BOCOM at bankcomm.ecom@computershare.com.hk. BOCOM will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying BOCOM H Shareholder, free of charge, although such Qualifying BOCOM H Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

The Company will also be relying on Section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and, unless a Qualifying BOCOM H Shareholder has elected to receive corporate communications in printed form under BOCOM's corporate communications policy or has not been asked to elect the means of receiving BOCOM's corporate communications, will be issuing the **BLUE** Application Form to the Qualifying BOCOM H Shareholders without it being accompanied by a printed prospectus. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.bocomgroup.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > Listed Company Information> Latest Listed Company Information*" section. Qualifying BOCOM H Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from 9:00 a.m. on

Friday, 5 May 2017 until 12:00 noon on Thursday, 11 May 2017 at the locations described in "— *IMPORTANT*" above.

Qualifying BOCOM H Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying BOCOM H Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of BOCOM and the Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. APPLYING THROUGH THE BLUE FORM eIPO SERVICE

If you apply for Reserved Shares online through the **Blue Form eIPO** service:

(a) detailed instructions for application through the **Blue Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected by the **Blue Form eIPO** Service Provider and may not be submitted to the Company;

(b) you must provide a valid e-mail address; and

(c) once payment is completed via **electronic application instructions** given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Blue Form eIPO** service and by using the **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other application will be rejected.

The application for Reserved Shares through the **Blue Form eIPO** service is only a facility provided by the **Blue Form eIPO** Service Provider to Qualifying BOCOM H Shareholders. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for application to make your electronic application. The Company, the Relevant Persons and the Blue Form eIPO Service Provider take no responsibility for such applications.

5. APPLYING BY USING BLUE APPLICATION FORMS

(a) The **BLUE** Application Form will be rejected by the Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;

- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorised officer or affixed with a company chop;
- the cheque/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form for either Reserved Shares pursuant to the Assured Entitlement or excess Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;
- the account name on the cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the cheque/banker's cashier order is not "Bank of Communications (Nominee) Co. Ltd. — BOCOM Intl Preferential Offer";
- the cheque has not been crossed "Account Payee Only";
- the cheque was post-dated;
- the applicant's payment is not made correctly or if the applicant pays by cheque or banker's cashier order the cheque or banker's cashier order is dishonoured on its first presentation;
- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;
- any alteration(s) to the application details on the **BLUE** Application Form has or have not been authorised by the signature(s) of the applicant(s);
- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or
- the Company and the Joint Representatives, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(b) If you are applying by using the **BLUE** Application Form for Assured Entitlement, you may apply for a number of Reserved Shares pursuant to your Assured Entitlement that is equal to or less than the number stated in Box B. If you intend to apply for a number of Reserved Shares that is less than your Assured Entitlement, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). If you intend to apply for a number of Assured Entitlement which is not one of the numbers set out in the table in the **BLUE** Application Form for Assured Entitlement, you MUST apply by using **Blue Form eIPO** only. You need to complete and sign the **BLUE** Application Form for Assured Entitlement and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **BLUE** Application Form.

(c) If you are applying by using the **BLUE** Application Form for excess Reserved Shares, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and

make a payment of the corresponding amount (other than HKSCC Nominees). If you intend to apply for a number of excess Reserved Shares which is not one of the numbers set out in the table in the **BLUE** Application Form for excess Reserved Shares, you MUST apply by using Blue Form eIPO only. You need to complete and sign the **BLUE** Application Form for excess Reserved Shares and submit one separate cheque (or banker's cashier order) for the exact amount of remittance.

(d) If you intend to apply for both Reserved Shares pursuant to your Assured Entitlement and excess Reserved Shares, you must submit both the **BLUE** Application Form for Assured Entitlement and the **BLUE** Application Form for excess Reserved Shares. Each **BLUE** Application Form must be accompanied by a separate cheque (or banker's cashier order) for the exact amount of remittance.

Instead of using the **BLUE** Application Form, you may apply for Reserved Shares through the **Blue Form eIPO** service at **www.eipo.com.hk**.

6. WHEN MAY APPLICATIONS BE MADE

(a) Application through the Blue Form eIPO service

You may submit your application via the **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 5 May 2017 until 11:30 a.m. on Thursday, 11 May 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 11 May 2017, the last day for applications, or such later time as described in "*—D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

If you do not complete payment of the application monies (including any related fees) in time, the **Blue Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

(b) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — BOCOM Intl Preferential Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

- Friday, 5 May 2017 — 9:00 a.m. to 5:00 p.m.
- Saturday, 6 May 2017 — 9:00 a.m. to 1:00 p.m.
- Monday, 8 May 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 9 May 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 10 May 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, 11 May 2017 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, 11 May 2017, the last day for applications, or such later time as described in "*— D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

(c) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 11 May 2017, the last day for applications, or such later time as described in "*— D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

7. How Many Applications May Be Made

You should refer to "*— A. Applications for Hong Kong Offer Shares — 8. How Many Applications Can You Make*" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

8. Additional Terms and Conditions and Instructions

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The Maximum Offer Price is HK$3.10 per Offer Share. You must pay the Maximum Offer Price, brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005% in full upon application for the Hong Kong Offer Shares or Reserved Shares under the terms set out in the Application Forms. This means that for one board lot of 1,000 Hong Kong Offer Shares or one board lot of 1,000 Reserved Shares, you will pay HK$3,131.24.

The Application Forms have tables showing the exact amount payable for the number of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "*Structure of the Global Offering — Pricing of the Global Offering*".

D. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 11 May 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 11 May 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "*Expected Timetable*", an announcement will be made in such event.

E. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering

and the basis of allocations of the Hong Kong Offer Shares and Reserved Shares on Thursday, 18 May 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.bocomgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.bocomgroup.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, 18 May 2017;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 18 May 2017 to 12:00 midnight on Wednesday, 24 May 2017;

- from the allocation results telephone enquiry line by calling 28628669 between 9:00 a.m. and 10:00 p.m. from Thursday, 18 May 2017 to Sunday, 21 May 2017; and

- in the special allocation results booklets which will be available for inspection during opening hours on Thursday, 18 May 2017 to Saturday, 20 May 2017 at the receiving bank's designated branches referred to above.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or Reserved Shares (as the case may be) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "*Structure of the Global Offering*".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or Reserved Shares will not be allocated to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service and/or **Blue Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allocation of Hong Kong Offer Shares and/or Reserved Shares is void:

The allocation of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications (other than an application (if any) made either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on the **BLUE** Application Form in your capacity as a Qualifying BOCOM H Shareholder);
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect for Reserved Shares applied for pursuant to the Preferential Offering);
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service and/or **Blue Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price of HK$3.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering as set

out in "*Structure of the Global Offering — Conditions of the Global Offering*" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 18 May 2017.

H. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all Reserved Shares allocated to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares and/or Reserved Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the Maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the Maximum Offer Price (including brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 18 May 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. Friday, 19 May 2017, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply using a WHITE or BLUE Application Form

If you apply for (i) 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form or (ii) 1,000,000 or more Reserved Shares on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 May 2017 or such other place or date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) (where applicable) personally within the time specified for collection, it/they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for (i) less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form or (ii) less than 1,000,000 Reserved Shares on a **BLUE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Thursday, 18 May 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Thursday, 18 May 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 18 May 2017, or in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- If you are applying as a CCASS Investor Participant

The Company expects to publish the results of CCASS Investor Participants applications together with the results of the Hong Kong Public Offering on Thursday, 18 May 2017 in the manner described in "— *E. Publication of Results*" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, 18 May 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(iii) If you apply through the White Form eIPO service or Blue Form eIPO service

If you apply for (i) 1,000,000 or more Hong Kong Offer Shares through the **White Form eIPO** service or (ii) 1,000,000 or more Reserved Shares through the **Blue Form eIPO** service, and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m on Thursday, 18 May 2017, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for (i) less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service or (ii) less than 1,000,000 Reserved Shares through the **Blue Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 18 May 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 18 May 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offering in the manner specified in "— *E. Publication of Results*" above on Thursday, 18 May 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, 18 May 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 18 May 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 18 May 2017.

I. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities

by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

5 May 2017

The Directors
BOCOM International Holdings Company Limited
BOCOM International (Asia) Limited
China International Capital Corporation Hong Kong Securities Limited
Haitong International Capital Limited
China Securities (International) Corporate Finance Company Limited

Dear Sirs,

We report on the financial information of BOCOM International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016, the statements of financial position of the Company as at 31 December 2014, 2015 and 2016, and the consolidated income statements and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the Directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 5 May 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Hong Kong on 3 June 1998 as a private limited company under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) then in force.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, associates and a joint venture as set out in Note 20, 21 and 22 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The Directors of the Company have prepared the statutory consolidated financial statements of the Company and its subsidiaries for the years ended 31 December 2014, 2015 and 2016 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Directors of the Company are responsible for the preparation of the statutory consolidated financial statements that gives a true and fair view in accordance with HKFRSs. We have audited the statutory consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016 in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company. The statutory audited financial statements of the subsidiaries of the Company as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 20 of Section II.

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The financial information has been prepared based on the previously issued audited financial statements of the Company and its subsidiaries, after making such adjustments as are appropriate.

Directors' Responsibility for the Financial Information

The Directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2014, 2015 and 2016 and of the financial position of the Group as at 31 December 2014, 2015 and 2016 and of the Group's financial performance and cash flows for the Relevant Periods.

I CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following financial information of the Group (the "Financial Information") was prepared by Directors of the Company as at 31 December 2014, 2015 and 2016, and for each of the years ended 31 December 2014, 2015 and 2016.

CONSOLIDATED INCOME STATEMENTS

(All amounts in HKD'000 unless otherwise stated)

		For the years ended 31 December		
	Notes	2014	2015	2016
Revenue				
— Commission and fee income	5	343,469	690,728	486,757
— Interest income from loans or clients	6	370,827	393,030	366,619
— Proprietary trading income	7	39,654	9,820	169,893
Total revenue		753,950	1,093,578	1,023,269
Other income	8	27,970	47,026	29,704
Total revenue and other income		781,920	1,140,604	1,052,973
Commission and brokerage expenses	9	(90,261)	(154,982)	(59,891)
Finance costs	10	(52,091)	(70,089)	(99,670)
Staff costs	11	(157,226)	(287,921)	(243,237)
Depreciation		(8,716)	(10,199)	(10,323)
Operating lease charges	13	(45,556)	(51,571)	(52,567)
Other operating expenses	14	(96,483)	(123,797)	(147,124)
Impairment losses	15	(276,550)	(24,382)	(46,551)
Total expenses		(726,883)	(722,941)	(659,363)
Operating profit		55,037	417,663	393,610
Share of results of associates	21	6,624	10,419	9,905
Gain on disposal of subsidiaries	20	—	5,129	—
Gain on disposal of a joint venture	22	7,635	—	—
Profit before taxation		69,296	433,211	403,515
Income tax expense	16	(45,619)	(82,392)	(52,563)
Profit for the year		23,677	350,819	350,952
Attributable to:				
Shareholders of the Company		23,677	350,238	350,609
Non-controlling interests		—	581	343
		23,677	350,819	350,952
Earnings per share attributable to shareholders of the Company for the year — Basic/Diluted (in HKD per share)	17	0.01	0.18	0.18

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in HKD'000 unless otherwise stated)

	Notes	For the years ended 31 December		
		2014	2015	2016
Profit for the year		23,677	350,819	350,952
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale investments				
Changes in fair value		4,380	(26,654)	(16,440)
Amounts reclassified to profit or loss upon disposal of available-for-sale investments	**7**	(4,748)	19,790	(29,592)
Reclassification gain from transfer of held-to-maturity investments to available-for-sale investments	**30**	—	—	36,782
Other comprehensive loss, net of tax		(368)	(6,864)	(9,250)
Total comprehensive income		23,309	343,955	341,702
Attributable to:				
Shareholders of the Company		23,309	343,374	341,359
Non-controlling interests		—	581	343
		23,309	343,955	341,702

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(All amounts in HKD'000 unless otherwise stated)

	Notes	31 December 2014	2015	2016
Assets				
Non-current assets				
Property and equipment	**18**	17,303	15,930	19,784
Intangible assets	**19**	3,196	3,196	3,196
Interest in associates	**21**	108,885	105,373	102,716
Interest in a joint venture	**22**	—	—	1,769
Other assets	**23**	27,357	34,376	28,727
Held-to-maturity investments	**30**	—	902,892	—
Available-for-sale investments	**31**	119,428	616,032	3,132,641
Deferred tax assets	**38**	650	722	302
Total non-current assets		276,819	1,678,521	3,289,135
Current assets				
Loans and advances	**25**	38,792	26,755	—
Tax recoverable		4,305	—	20,132
Accounts receivable	**26**	879,551	1,158,598	585,026
Other receivables and prepayments	**27**	58,153	60,360	75,204
Margin loans to customers	**28**	4,548,132	4,913,279	5,123,260
Amount due from an associate	**29**	2,433	3,390	—
Amounts due from related parties	**29**	—	919	16,093
Financial assets at fair value through profit or loss	**32**	247,284	94,836	566,020
Derivative financial assets	**33**	194	—	359
Cash and bank balances	**34**	317,654	859,692	504,054
Total current assets		6,096,498	7,117,829	6,890,148
Total assets		6,373,317	8,796,350	10,179,283

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — CONTINUED
(All amounts in HKD'000 unless otherwise stated)

	Notes	31 December 2014	2015	2016
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital	**39**	2,000,000	2,000,000	2,000,000
Retained earnings		1,294,560	1,644,798	1,995,407
Revaluation reserve		2,353	(4,511)	(13,761)
Total equity attributable to shareholders of the Company		3,296,913	3,640,287	3,981,646
Non-controlling interests		5,244	4,653	4,472
Total equity		3,302,157	3,644,940	3,986,118
Liabilities				
Non-current liabilities				
Bank loans	**41**	—	841,450	1,296,395
Subordinated loans from the ultimate holding company	**41**	200,000	600,000	—
Deferred tax liabilities		—	131	130
Total non-current liabilities		200,000	1,441,581	1,296,525
Current liabilities				
Bank loans	**41**	1,536,700	1,913,563	3,551,620
Subordinated loans from the ultimate holding company	**41**	600,000	400,000	1,000,000
Tax payable		10,338	27,018	1,353
Provision for staff costs		25,769	117,713	81,031
Other payables and accrued expenses	**35**	65,338	957,919	108,370
Accounts payable	**36**	557,163	262,282	115,351
Deferred revenue	**37**	—	—	14,309
Amount due to a fellow subsidiary	**29**	50	—	—
Amount due to the ultimate holding company	**29**	4,799	7,053	5,806
Financial liabilities at fair value through profit or loss	**32**	71,003	24,281	18,446
Derivative financial liabilities	**33**	—	—	354
Total current liabilities		2,871,160	3,709,829	4,896,640
Total liabilities		3,071,160	5,151,410	6,193,165
Total equity and liabilities		6,373,317	8,796,350	10,179,283
Net current assets		3,225,338	3,408,000	1,993,508
Total assets less current liabilities		3,502,157	5,086,521	5,282,643

STATEMENTS OF FINANCIAL POSITION
(All amounts in HKD'000 unless otherwise stated)

	Notes	31 December 2014	2015	2016
Non-current assets				
Property and equipment	**18**	13,855	14,085	16,130
Investments in subsidiaries	**20**	1,252,026	1,195,059	1,240,059
Subordinated loans to subsidiaries	**24**	—	200,000	200,000
Loan to a subsidiary	**24**	9,826	—	—
Held-to-maturity investments	**30**	—	902,892	—
Available-for-sale investments	**31**	116,318	184,464	2,701,882
Total non-current assets		1,392,025	2,496,500	4,158,071
Current assets				
Subordinated loans to subsidiaries	**24**	200,000	131,495	331,614
Loans and advances	**25**	38,792	26,755	—
Accounts receivable	**26**	18	18	19
Other receivables and prepayments	**27**	40,837	45,073	57,077
Amount due from the ultimate holding company	**29**	1,171	1,171	1,460
Amounts due from subsidiaries	**29**	1,371,748	1,092,082	839,900
Amount due from an associate	**29**	1,118	2,074	—
Amounts due from related parties	**29**	—	—	14,447
Financial assets at fair value through profit or loss	**32**	16,650	31,236	123,440
Derivative financial assets	**33**	—	—	359
Cash and bank balances	**34**	60,526	322,105	55,060
Total current assets		1,730,860	1,652,009	1,423,376
Total assets		3,122,885	4,148,509	5,581,447
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital	**39**	2,000,000	2,000,000	2,000,000
Retained earnings	**45**	154,414	110,719	226,797
Revaluation reserve	**45**	2,353	(7,723)	(16,321)
Total equity		2,156,767	2,102,996	2,210,476
Non-current liabilities				
Bank loans	**41**	—	300,000	300,000
Current liabilities				
Bank loans	**41**	932,260	1,615,765	2,683,875
Provision for staff costs		22,627	103,534	12,920
Other payables and accrued expenses	**35**	11,231	26,214	24,520
Amounts due to subsidiaries	**29**	—	—	349,302
Derivative financial liabilities	**33**	—	—	354
Total current liabilities		966,118	1,745,513	3,070,971
Total liabilities		966,118	2,045,513	3,370,971
Total equity and liabilities		3,122,885	4,148,509	5,581,447
Net current assets/(liabilities)		764,742	(93,504)	(1,647,595)
Total assets less current liabilities		2,156,767	2,402,996	2,510,476

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(All amounts in HKD'000 unless otherwise stated)

	Attributable to shareholders of the Company					
	Share capital (Note 39)	Retained earnings	Revaluation reserve	Total	Non-controlling interests	Total Equity
At 1 January 2014	2,000,000	1,270,883	2,721	3,273,604	—	3,273,604
Profit for the year	—	23,677	—	23,677	—	23,677
Other comprehensive loss for the year	—	—	(368)	(368)	—	(368)
Total comprehensive income/(loss) for the year	—	23,677	(368)	23,309	—	23,309
Non-controlling interests arising on business combination	—	—	—	—	5,244	5,244
At 31 December 2014	2,000,000	1,294,560	2,353	3,296,913	5,244	3,302,157
At 1 January 2015	2,000,000	1,294,560	2,353	3,296,913	5,244	3,302,157
Profit for the year	—	350,238	—	350,238	581	350,819
Other comprehensive loss for the year	—	—	(6,864)	(6,864)	—	(6,864)
Total comprehensive income/(loss) for the year	—	350,238	(6,864)	343,374	581	343,955
Dividends paid by a subsidiary	—	—	—	—	(1,172)	(1,172)
At 31 December 2015	2,000,000	1,644,798	(4,511)	3,640,287	4,653	3,644,940
At 1 January 2016	2,000,000	1,644,798	(4,511)	3,640,287	4,653	3,644,940
Profit for the year	—	350,609	—	350,609	343	350,952
Other comprehensive loss for the year	—	—	(9,250)	(9,250)	—	(9,250)
Total comprehensive income/(loss) for the year	—	350,609	(9,250)	341,359	343	341,702
Dividends paid by a subsidiary	—	—	—	—	(524)	(524)
At 31 December 2016	2,000,000	1,995,407	(13,761)	3,981,646	4,472	3,986,118

CONSOLIDATED STATEMENTS OF CASH FLOWS
(All amounts in HKD'000 unless otherwise stated)

	For the years ended 31 December		
	2014	2015	2016
Operating activities			
Profit before taxation	69,296	433,211	403,515
Adjustments for:			
Gain on disposal of subsidiaries	—	(5,129)	—
Dividend income	(3,948)	(2,989)	(33,724)
Interest income from loans or clients	(370,827)	(393,030)	(366,619)
Bond interest income	(7,356)	(46,664)	(84,194)
Other interest income	(9,039)	(8,123)	(8,808)
Gain on disposal of a joint venture	(7,635)	—	—
Finance costs	52,091	70,089	99,670
Depreciation	8,716	10,199	10,323
Impairment losses	276,550	24,382	46,551
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	(25,772)	33,747	(23,279)
Net realised (gain)/loss on available-for-sale investments	(4,748)	19,790	(29,592)
Amortisation movement on held-to-maturity investments	—	(1,658)	(2,818)
Foreign exchange loss/(gain)	1,928	(2,644)	941
Share of results of associates	(6,624)	(10,419)	(9,905)
Operating cash flows before movements in working capital	(27,368)	120,762	2,061
Decrease/(increase) in other assets	5,441	(7,019)	5,649
(Increase)/decrease in financial assets at fair value through profit or loss	(27,054)	33,069	(447,905)
Increase/(decrease) in financial liabilities at fair value through profit or loss	16,043	(46,722)	(5,835)
(Increase)/decrease in derivative financial assets	(194)	194	(359)
Increase in derivative financial liabilities	—	—	354
(Increase)/decrease in accounts receivable	(372,165)	(291,392)	553,478
Increase in margin loans to customers	(337,833)	(365,147)	(218,241)
(Increase)/decrease in loans and advances	(154,870)	—	8,558
Increase in amounts due from related parties	—	(919)	(15,174)
Decrease/(increase) in amount due from an associate	60,715	(957)	3,390
Increase in other receivables and prepayments	(26,095)	(2,207)	(12,010)
Increase/(decrease) in accounts payable	212,973	(294,881)	(146,931)
(Decrease)/increase in amount due to the ultimate holding company	(2,313)	2,254	(1,247)
Increase/(decrease) in amount due to a fellow subsidiary	50	(50)	—
(Decrease)/increase in provision for staff costs	(65,072)	91,944	(36,682)
Increase/(decrease) in other payables and accrued expenses	27,303	887,374	(834,290)
Increase in deferred revenue	—	—	14,309
Net cash (used in)/generated from operations	(690,439)	126,303	(1,130,875)

CONSOLIDATED STATEMENTS OF CASH FLOWS — CONTINUED
(All amounts in HKD'000 unless otherwise stated)

	Note	For the years ended 31 December		
		2014	2015	2016
Income tax paid		(54,737)	(61,348)	(96,703)
Interest received from loans or clients		370,827	393,030	366,308
Other interest income received		9,039	8,123	8,808
Interest expenses paid		(47,824)	(64,882)	(96,455)
Net cash (used in)/generated from operating activities		(413,134)	401,226	(948,917)
Investing activities				
Disposal of subsidiaries, net of cash disposed		—	96,196	—
Acquisition of subsidiaries, net of cash acquired		(99,393)	—	—
Dividend received		3,948	2,989	33,724
Bond interest income received		7,356	46,664	61,960
Purchase of property and equipment		(4,843)	(8,826)	(14,177)
Proceeds on disposals of property and equipment		728	—	—
Purchase of held-to-maturity investments		—	(901,234)	(5,797)
Proceeds on disposal of held-to-maturity investments		—	—	25,079
Purchase of available-for-sale investments		(195,525)	(881,682)	(2,080,138)
Proceeds on disposals of available-for-sale investments		131,118	358,183	471,012
Contribution to associates		—	(1)	—
Distribution from associates		34,464	13,932	12,562
Decrease/(increase) in time deposit with original maturity of more than three months		7,767	(800)	(815)
Proceeds from disposal of a joint venture		9,001	—	—
Capital injection for joint venture		—	—	(1,769)
Net cash used in investing activities		(105,379)	(1,274,579)	(1,498,359)
Financing activities				
Net drawdown of bank loans		604,287	1,218,313	2,093,002
Net drawdown of subordinated loans from ultimate holding company		—	200,000	—
Dividends from subsidiaries paid to non-controlling interests		—	(1,172)	(524)
Net cash generated from financing activities		604,287	1,417,141	2,092,478
Net increase/(decrease) in cash and cash equivalents		85,774	543,788	(354,798)
Cash and cash equivalents at beginning of the year		233,689	317,654	858,892
Effect of exchange rate changes on cash and cash equivalents		(1,809)	(2,550)	(1,655)
Cash and cash equivalents at end of the year represented by bank balances and cash	34	317,654	858,892	502,439

II NOTES TO THE FINANCIAL INFORMATION

1 General information

BOCOM International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in securities dealing, financial advisory, asset management services, investment management and investment trading. The Company is a company incorporated in Hong Kong. The address of its registered office is 9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are to carry out regulated activities under the Hong Kong Securities and Futures Ordinance through its licensed subsidiaries. The regulated activities carried out by the Company's licensed subsidiaries include dealing in and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

The parent and ultimate holding company is Bank of Communications Co., Ltd., a company incorporated in the People's Republic of China ("PRC") and listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in Hong Kong dollars, which is also the functional currency of the Company, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of BOCOM International Holdings Company Limited has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

(a) New standards and interpretations not yet adopted

Standards and amendments that have been issued but are not yet effective and have not been early adopted by the Group as of the relevant periods are as follows:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016*
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 16, Leases	1 January 2019
Amendments to HKAS 12, Income taxes	1 January 2017
Amendments to HKAS 7, Statement of cash flows	1 January 2017
Amendments to HKFRS 2, classification and measurement of share-based payment transactions	1 January 2018

* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

2.1.1 Changes in accounting policies and disclosures — continued

(a) New standards and interpretations not yet adopted — continued

HKFRS 9, Financial instruments

HKFRS 9, published in September 2014 and effective for annual periods beginning on or after 1 January 2018, will replace the existing guidance in HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 are subsequently measured at amortised cost or fair value under HKFRS 9. 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. 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. All of the above represent new requirements for classification and measurement for financial assets under HKFRS 9 that will change the way the Group classifies and measures its financial assets in 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' under the existing HKAS 39.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group is analysing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of HKFRS 9. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of HKFRS 9 will also have an impact on the risk management organisation, process and key functions, budgeting and performance review, as well as the IT systems. The Group is starting to carry out an assessment of the need for any system modification related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

2.1.1 Changes in accounting policies and disclosures — continued

(a) New standards and interpretations not yet adopted — continued

The Group has not completed its assessment of the full impact of adopting HKFRS 9 and therefore its possible impact on the Group's operating results and financial position has not yet been quantified.

HKFRS 15, Revenue from Contracts with Customers

Revenue from Contracts with Customers establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group anticipates that the adoption of this amendment will not have material impact on the Group's consolidated financial statements.

HKFRS 16, Leases

For the lessee, under HKAS 17 lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). HKFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or the lease is short-term, in the statement of financial position. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability in the statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$79,920 thousand, see Note 13. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.2 Subsidiaries — continued

2.2.1 Consolidation — continued

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.3 Associates — continued

associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's Financial Information only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Brokerage commission income is recognised when the services have been rendered.

Corporate finance and underwriting commission is recognised in accordance with the terms of the underlying agreement or deal mandate.

Asset management and advisory income are recognised when the Group has rendered the services and is entitled to receive fees pursuant to the underlying agreements. Payments that are related to services not yet rendered are deferred and shown as deferred revenue in the statement of financial position.

Handling fee is recognised when the brokerage handling services has been rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and advances is recognised using the original effective interest rate.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Information are presented in HK dollars ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within 'other income' and 'other operating expenses' respectively.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.7 Foreign currency translation — continued

(b) Transactions and balances — continued

Translation differences on financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, 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, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.10 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.10 Taxation — continued

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.11 Financial instruments

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "other assets", "accounts receivable", "loans and advances", "margin loans to customers", "amount due from an associate", "amounts due from related parties", "other receivables" and "loans to the ultimate holding company" and "loans to a related party" in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.11 Financial instruments — continued

2.11.1 Classification — continued

(e) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading and financial liabilities designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identical financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is designated and effective hedging instrument or a financial guarantee).

Financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial liabilities at fair value through profit or loss are initially recognised and subsequently measured at fair value on the statement of financial position. The related transaction costs incurred at the time of incurrence are expensed in profit or loss. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss through proprietary trading income.

(f) Other financial liabilities

Other financial liabilities are initially recognised at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest method.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date—the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "proprietary trading income" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.11 Financial instruments — continued

2.11.2 Recognition and measurement — continued

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as "proprietary trading income".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of proprietary trading income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of proprietary trading income when the Group's right to receive payments is established.

2.11.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.11.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables and held-to-maturity category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.11 Financial instruments — continued

2.11.4 Impairment of financial assets — continued

(b) Assets classified as available-for-sale — continued

For debt securities, if any such evidence exists the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss—is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

A significant or prolonged decline in the fair value of an equity investment classified as available-for-sale indicates there is objective evidence that the equity instrument is impaired. The Group assesses the fair value of available-for-sale equity instruments individually at statement of financial position date and determines that it is impaired if the fair value of the equity instrument declines to less than 50% (inclusive) or more of its initial cost or the fair value has been lower than its initial cost for more than one year (inclusive). Though the fair value of an available-for-sale financial asset declines less than 50% of its initial cost, the Company recognises impairment losses in profit or loss if it concludes this decline is prolonged and expected to last for more than one year based on professional judgement of the Company's research department and business department.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Margin loans to customers

Margin financing refers to the lending of loans by the Group to customers for purchase of securities, for which the customers provide the Group with collateral.

The Group recognises margin loans as loans and receivables, and recognises interest income using effective interest rate method.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.16 Employee benefits

The Group operates defined contribution pension plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17 Property and equipment

Property and equipment comprise leasehold improvements, furniture and fixtures, motor vehicles and office equipment stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.19).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" and "other operating expenses" in the income statement.

2.18 Intangible assets

Trading rights

Trading right represents the Group's right to trade on or through The Stock Exchange of Hong Kong Limited ("SEHK"), and throttle rate for trading order to be transmitted to the Automated Matching System of the SEHK, with indefinite useful life as considered by management.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

2 Summary of significant accounting policies — continued

2.19 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2.22 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management

3.1 Financial risk factors

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables (made up of other assets, accounts and other receivables, loans and advances), margin loans to customers, amount due from an associate, cash and bank balances, accounts payable, bank loans, subordinated loans from the ultimate holding company and amount due to the ultimate holding company and amount due to a fellow subsidiary. Details of the 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.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates certain risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

Market risk refers to the adverse effect that normal or specific changes in foreign exchange rates, interest rates, commodity prices or stock prices may have on products involving interest rates, currencies and stocks. The Group's market risk mainly includes currency risk, interest rate risk and other price risks. The market risk management aims to manage and monitor market risk, keep the potential losses associated with market risk within an acceptable level and maximise the returns.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(i) Summary of financial assets and liabilities

The Group

	31 December		
	2014	2015	2016
Financial assets			
Other assets	27,357	34,376	28,727
Loans and advances	38,792	26,755	—
Accounts receivable	879,551	1,158,598	585,026
Other receivables	50,150	50,705	66,395
Margin loans to customers	4,548,132	4,913,279	5,123,260
Amount due from an associate	2,433	3,390	—
Amounts due from related parties	—	919	16,093
Held-to-maturity investments	—	902,892	—
Available-for-sale investments	119,428	616,032	3,132,641
Financial assets at fair value through profit or loss	247,284	94,836	566,020
Derivative financial assets	194	—	359
Cash and bank balances	317,654	859,692	504,054
	6,230,975	8,661,474	10,022,575
Financial liabilities			
Bank loans	1,536,700	2,755,013	4,848,015
Subordinated loans from the ultimate holding company	800,000	1,000,000	1,000,000
Other payables	26,828	897,661	42,270
Accounts payable	557,163	262,282	115,351
Amount due to a fellow subsidiary	50	—	—
Amount due to the ultimate holding company	4,799	7,053	5,806
Financial liabilities at fair value through profit or loss	71,003	24,281	18,446
Derivative financial liabilities	—	—	354
	2,996,543	4,946,290	6,030,242

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(i) Summary of financial assets and liabilities — continued

The Company

	31 December		
	2014	2015	2016
Financial assets			
Subordinated loans to subsidiaries	200,000	331,495	531,614
Loan to a subsidiary	9,826	—	—
Loans and advances	38,792	26,755	—
Accounts receivable	18	18	19
Other receivables	36,396	38,716	51,856
Amount due from the ultimate holding company	1,171	1,171	1,460
Amounts due from subsidiaries	1,371,748	1,092,082	839,900
Amount due from an associate	1,118	2,074	—
Amounts due from related parties	—	—	14,447
Held-to-maturity investments	—	902,892	—
Available-for-sale investments	116,318	184,464	2,701,882
Financial assets at fair value through profit or loss	16,650	31,236	123,440
Derivative financial assets	—	—	359
Cash and bank balances	60,526	322,105	55,060
	1,852,563	2,933,008	4,320,037
Financial liabilities			
Bank loans	932,260	1,915,765	2,983,875
Other payables	788	407	14,355
Amounts due to subsidiaries	—	—	349,302
Derivative financial liabilities	—	—	354
	933,048	1,916,172	3,347,886

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk

The Group and the Company undertakes certain transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's and the Company's major foreign currency denominated monetary assets and monetary liabilities at year end is as follows:

The Group

	As at 31 December 2014				
	HKD	USD (in HKD equivalent)	RMB (in HKD equivalent)	Other foreign currencies (in HKD equivalent)	Total
Financial assets					
Other assets	26,187	—	1,170	—	27,357
Loans and advances	38,792	—	—	—	38,792
Accounts receivable	785,881	63,182	20,823	9,665	879,551
Other receivables	34,666	7,058	8,261	165	50,150
Margin loans to customers	4,544,403	776	2,953	—	4,548,132
Amount due from an associate	—	2,433	—	—	2,433
Available-for-sale investments	114,201	—	5,227	—	119,428
Financial assets at fair value through profit or loss	78,977	61,668	97,379	9,260	247,284
Derivative financial assets	—	194	—	—	194
Cash and bank balances	167,118	80,629	69,043	864	317,654
Total financial assets	5,790,225	215,940	204,856	19,954	6,230,975
Financial liabilities					
Bank loans	1,304,440	232,260	—	—	1,536,700
Subordinated loans from the ultimate holding company	800,000	—	—	—	800,000
Other payables	3,905	152	22,771	—	26,828
Accounts payable	531,940	8,610	12,913	3,700	557,163
Amount due to a fellow subsidiary	50	—	—	—	50
Amount due to the ultimate holding company	5,069	(265)	(5)	—	4,799
Financial liabilities at fair value through profit or loss	30,523	5,758	34,722	—	71,003
Total financial liabilities	2,675,927	246,515	70,401	3,700	2,996,543
Net on-balance sheet position	3,114,298	(30,575)	134,455	16,254	3,234,432

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk — continued

The Group

	As at 31 December 2015				
	HKD	USD (in HKD equivalent)	RMB (in HKD equivalent)	Other foreign currencies (in HKD equivalent)	Total
Financial assets					
Other assets	30,121	—	4,255	—	34,376
Loans and advances	26,755	—	—	—	26,755
Accounts receivable	364,020	779,599	6,857	8,122	1,158,598
Other receivables	14,645	25,004	11,056	—	50,705
Margin loans to customers	4,912,630	314	335	—	4,913,279
Amount due from an associate	—	1,595	1,795	—	3,390
Amounts due from related parties	347	572	—	—	919
Held-to-maturity investments	100,000	802,892	—	—	902,892
Available-for-sale investments	80,250	530,797	4,985	—	616,032
Financial assets at fair value through profit or loss	31,236	—	63,600	—	94,836
Cash and bank balances	497,504	265,152	94,086	2,950	859,692
Total financial assets	6,057,508	2,405,925	186,969	11,072	8,661,474
Financial liabilities					
Bank loans	1,150,000	1,605,013	—	—	2,755,013
Subordinated loans from the ultimate holding company	1,000,000	—	—	—	1,000,000
Other payables	897,661	—	—	—	897,661
Accounts payable	213,953	44,853	—	3,476	262,282
Amount due to the ultimate holding company	6,553	500	—	—	7,053
Financial liabilities at fair value through profit or loss	—	—	24,281	—	24,281
Total financial liabilities	3,268,167	1,650,366	24,281	3,476	4,946,290
Net on-balance sheet position	2,789,341	755,559	162,688	7,596	3,715,184

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk — continued

The Group

	As at 31 December 2016				
	HKD	USD (in HKD equivalent)	RMB (in HKD equivalent)	Other foreign currencies (in HKD equivalent)	Total
Financial assets					
Other assets	27,595	—	1,132	—	28,727
Accounts receivable	443,276	113,288	28,267	195	585,026
Other receivables	22,163	36,134	8,098	—	66,395
Margin loans to customers	5,118,966	4,294	—	—	5,123,260
Amounts due from related parties	243	15,728	122	—	16,093
Available-for-sale investments	171,107	2,905,679	4,726	51,129	3,132,641
Financial assets at fair value through profit or loss	123,440	397,071	45,509	—	566,020
Derivative financial assets	—	359	—	—	359
Cash and bank balances	215,149	159,163	129,190	552	504,054
Total financial assets	6,121,939	3,631,716	217,044	51,876	10,022,575
Financial liabilities					
Bank loans	3,000,000	1,848,015	—	—	4,848,015
Subordinated loans from the ultimate holding company	1,000,000	—	—	—	1,000,000
Other payables	38,048	4,222	—	—	42,270
Accounts payable	67,183	39,052	3,480	5,636	115,351
Amount due to the ultimate holding company	5,713	93	—	—	5,806
Financial liabilities at fair value through profit or loss	—	—	18,446	—	18,446
Derivative financial liabilities	—	354	—	—	354
Total financial liabilities	4,110,944	1,891,736	21,926	5,636	6,030,242
Net on-balance sheet position	2,010,995	1,739,980	195,118	46,240	3,992,333

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk — continued

The Company

	As at 31 December 2014				
	HKD	USD (in HKD equivalent)	RMB (in HKD equivalent)	Other foreign currencies (in HKD equivalent)	Total
Financial assets					
Subordinated loans to subsidiaries	200,000	—	—	—	200,000
Loan to subsidiary	—	—	9,826	—	9,826
Loans and advances	38,792	—	—	—	38,792
Accounts receivable	10	8	—	—	18
Other receivables	33,587	276	2,533	—	36,396
Amount due from the ultimate holding company	897	267	7	—	1,171
Amounts due from subsidiaries	1,371,748	—	—	—	1,371,748
Amounts due from an associate	—	1,118	—	—	1,118
Available-for-sale investments	114,201	—	2,117	—	116,318
Financial assets at fair value through profit or loss	16,650	—	—	—	16,650
Cash and bank balances	19,441	37,417	3,668	—	60,526
Total financial assets	1,795,326	39,086	18,151	—	1,852,563
Financial liabilities					
Bank loans	700,000	232,260	—	—	932,260
Other payables	788	—	—	—	788
Total financial liabilities	700,788	232,260	—	—	933,048
Net on-balance sheet position	1,094,538	(193,174)	18,151	—	919,515

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk — continued

The Company

	As at 31 December 2015				
	HKD	USD (in HKD equivalent)	RMB (in HKD equivalent)	Other foreign currencies (in HKD equivalent)	Total
Financial assets					
Subordinated loans to subsidiaries	200,000	131,495	—	—	331,495
Loans and advances	26,755	—	—	—	26,755
Accounts receivable	10	8	—	—	18
Other receivables	13,897	22,213	2,606	—	38,716
Amount due from the ultimate holding company	897	267	7	—	1,171
Amounts due from subsidiaries	1,092,082	—	—	—	1,092,082
Amount due from an associate	—	279	1,795	—	2,074
Held-to-maturity investments	100,000	802,892	—	—	902,892
Available-for-sale investments	80,250	102,159	2,055	—	184,464
Financial assets at fair value through profit or loss	31,236	—	—	—	31,236
Cash and bank balances	113,157	162,108	46,840	—	322,105
Total financial assets	1,658,284	1,221,421	53,303	—	2,933,008
Financial liabilities					
Bank loans	1,150,000	765,765	—	—	1,915,765
Other payables	407	—	—	—	407
Total financial liabilities	1,150,407	765,765	—	—	1,916,172
Net on-balance sheet position	507,877	455,656	53,303	—	1,016,836

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk — continued

The Company

	As at 31 December 2016				
	HKD	USD (in HKD equivalent)	RMB (in HKD equivalent)	Other foreign currencies (in HKD equivalent)	Total
Financial assets					
Subordinated loans to subsidiaries	400,000	131,614	—	—	531,614
Accounts receivable	10	9	—	—	19
Other receivables	20,829	28,352	2,675	—	51,856
Amount due from the ultimate holding company	1,300	154	6	—	1,460
Amounts due from subsidiaries	839,900	—	—	—	839,900
Amounts due from related parties	—	14,447	—	—	14,447
Available-for-sale investments	171,107	2,477,694	1,952	51,129	2,701,882
Financial assets at fair value through profit or loss	123,440	—	—	—	123,440
Derivative financial assets	—	359	—	—	359
Cash and bank balances	6,064	41,360	7,476	160	55,060
Total financial assets	1,562,650	2,693,989	12,109	51,289	4,320,037
Financial liabilities					
Bank loans	2,500,000	483,875	—	—	2,983,875
Other payables	14,355	—	—	—	14,355
Amount due to subsidiaries	349,302	—	—	—	349,302
Derivative financial liabilities	—	354	—	—	354
Total financial liabilities	2,863,657	484,229	—	—	3,347,886
Net on-balance sheet position	(1,301,007)	2,209,760	12,109	51,289	972,151

Currency risk refers to the risk that the Group's financial position with respect to foreign currency exposure will be affected as a result of fluctuations in major foreign exchange rates. The Group's currency risk mainly exposes to Renminbi, United States dollar and Singapore dollar currently. The directors of the Company consider the exchange rate of Hong Kong dollar against United States dollar is relatively stable under the current pegged rate system in Hong Kong. The other foreign currency are not material compared to the total assets and liabilities of the Group and the Company. In the opinion of the directors, the Group and the Company are not subject to significant currency risk exposure.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(ii) Currency risk — continued

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 10% change in Hong Kong dollar against the relevant foreign currencies. The 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10% change in foreign currency rate. The number shown below indicates an increase in profit where Hong Kong dollar weakens against the relevant currency. For a 10% strengthening of Hong Kong dollar against the relevant currency, there would be an opposite impact on the profit.

The Group

Impact on profit after taxation

	31 December		
	2014	2015	2016
RMB	11,227	13,584	16,292
Other foreign currencies	1,357	634	3,861

The Company

Impact on profit after taxation

	31 December		
	2014	2015	2016
RMB	1,516	4,451	1,011
Other foreign currencies	—	—	4,283

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

The Group

As at 31 December 2014	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets								
Other assets	—	—	—	—	—	—	27,357	27,357
Loans and advances	38,792	—	—	—	—	—	—	38,792
Accounts receivable	—	820,805	12,878	45,868	—	—	—	879,551
Other receivables	—	—	—	—	—	—	50,150	50,150
Margin loans to customers	—	4,548,132	—	—	—	—	—	4,548,132
Amount due from an associate	—	—	—	—	—	—	2,433	2,433
Available-for-sale investments	—	—	—	—	—	—	119,428	119,428
Financial assets at fair value through profit or loss	—	—	9,469	2,513	30,612	62,014	142,676	247,284
Derivative financial assets	—	—	—	—	—	—	194	194
Cash and bank balances	—	317,654	—	—	—	—	—	317,654
	38,792	5,686,591	22,347	48,381	30,612	62,014	342,238	6,230,975

The Group

As at 31 December 2014	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities								
Bank loans	—	1,536,700	—	—	—	—	—	1,536,700
Subordinated loans from the ultimate holding company	—	800,000	—	—	—	—	—	800,000
Other payables	—	—	—	—	—	—	26,828	26,828
Accounts payable	—	—	—	—	—	—	557,163	557,163
Amount due to a fellow subsidiary	—	—	—	—	—	—	50	50
Amount due to the ultimate holding company	—	—	—	—	—	—	4,799	4,799
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	71,003	71,003
	—	2,336,700	—	—	—	—	659,843	2,996,543
Interest rate sensitivity gap	38,792	3,349,891	22,347	48,381	30,612	62,014	(317,605)	3,234,432

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The Group

As at 31 December 2015	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets								
Other assets	—	—	—	—	—	—	34,376	34,376
Loans and advances	26,755	—	—	—		—	—	26,755
Accounts receivable	—	1,141,521	4,490	12,587	—	—	—	1,158,598
Other receivables	—	—	—	—	—	—	50,705	50,705
Margin loans to customers	—	4,913,279	—	—	—	—	—	4,913,279
Amount due from an associate	—	—	—	—	—	—	3,390	3,390
Amounts due from related parties	—	—	—	—	—	—	919	919
Held-to-maturity investments	—	—	—	—	482,597	420,295	—	902,892
Available-for-sale investments	—	—	—	—	102,160	—	513,872	616,032
Financial assets at fair value through profit or loss	—	—	1,407	—	—	2,636	90,793	94,836
Cash and bank balances	—	858,892	—	800	—	—	—	859,692
	26,755	6,913,692	5,897	13,387	584,757	422,931	694,055	8,661,474

The Group

As at 31 December 2015	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities								
Bank loans	—	2,457,215	297,798	—	—	—	—	2,755,013
Subordinated loans from the ultimate holding company	—	1,000,000	—	—	—	—	—	1,000,000
Other payables	—	—	—	—	—	—	897,661	897,661
Accounts payable	—	—	—	—	—	—	262,282	262,282
Amount due to the ultimate holding company	—	—	—	—	—	—	7,053	7,053
Financial liabilities at fair value through profit or losses	—	—	—	—	—	—	24,281	24,281
	—	3,457,215	297,798	—	—	—	1,191,277	4,946,290
Interest rate sensitivity gap	26,755	3,456,477	(291,901)	13,387	584,757	422,931	(497,222)	3,715,184

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The Group

As at 31 December 2016	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets								
Other assets	—	—	—	—	—	—	28,727	28,727
Accounts receivable	—	585,026	—	—	—	—	—	585,026
Other receivables	—	—	—	—	—	—	66,395	66,395
Margin loans to customers	—	5,123,260	—	—	—	—	—	5,123,260
Amounts due from related parties	—	—	—	—	—	—	16,093	16,093
Available-for-sale investments	—	—	—	—	693,701	930,657	1,508,283	3,132,641
Financial assets at fair value through profit or loss	—	—	—	—	398,262	2,596	165,162	566,020
Derivative financial assets	—	—	—	—	—	—	359	359
Cash and bank balances	—	502,439	—	1,615	—	—	—	504,054
	—	6,210,725	—	1,615	1,091,963	933,253	1,785,019	10,022,575

The Group

As at 31 December 2016	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities								
Bank loans	—	4,549,948	298,067	—	—	—	—	4,848,015
Subordinated loans from the ultimate holding company	—	1,000,000	—	—	—	—	—	1,000,000
Other payables	—	—	—	—	—	—	42,270	42,270
Accounts payable	—	—	—	—	—	—	115,351	115,351
Amount due to the ultimate holding company	—	—	—	—	—	—	5,806	5,806
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	18,446	18,446
Derivative financial liabilities	—	—	—	—	—	—	354	354
	—	5,549,948	298,067	—	—	—	182,227	6,030,242
Interest rate sensitivity gap	—	660,777	(298,067)	1,615	1,091,963	933,253	1,602,792	3,992,333

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The Company

As at 31 December 2014	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets								
Subordinated loans to subsidiaries	—	—	—	200,000	—	—	—	200,000
Loan to a subsidiary	—	—	—	—	9,826	—	—	9,826
Loans and advances	38,792	—	—	—	—	—	—	38,792
Accounts receivable	—	18	—	—	—	—	—	18
Other receivables	—	—	—	—	—	—	36,396	36,396
Amount due from the ultimate holding company	—	—	—	—	—	—	1,171	1,171
Amounts due from subsidiaries	—	—	—	—	—	—	1,371,748	1,371,748
Amounts due from an associate	—	—	—	—	—	—	1,118	1,118
Available-for-sale investments	—	—	—	—	—	—	116,318	116,318
Financial assets at fair value through profit or loss	—	—	—	—	—	—	16,650	16,650
Cash and bank balances	—	60,526	—	—	—	—	—	60,526
	38,792	60,544	—	200,000	9,826	—	1,543,401	1,852,563

The Company

As at 31 December 2014	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities								
Bank loans	—	932,260	—	—	—	—	—	932,260
Other payables	—	—	—	—	—	—	788	788
	—	932,260	—	—	—	—	788	933,048
Interest rate sensitivity gap	38,792	(871,716)	—	200,000	9,826	—	1,542,613	919,515

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The Company

As at 31 December 2015	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets								
Subordinated loans to subsidiaries	—	—	131,495	—	200,000	—	—	331,495
Loans and advances	26,755	—	—	—	—	—	—	26,755
Accounts receivable	—	18	—	—	—	—	—	18
Other receivables	—	—	—	—	—	—	38,716	38,716
Amount due from the ultimate holding company	—	—	—	—	—	—	1,171	1,171
Amounts due from subsidiaries	—	—	—	—	—	—	1,092,082	1,092,082
Amount due from an associate	—	—	—	—	—	—	2,074	2,074
Held-to-maturity investments	—	—	—	—	482,597	420,295	—	902,892
Available-for-sale investments	—	—	—	—	102,159	—	82,305	184,464
Financial assets at fair value through profit or loss	—	—	—	—	—	—	31,236	31,236
Cash and bank balances	—	322,105	—	—	—	—	—	322,105
	26,755	322,123	131,495	—	784,756	420,295	1,247,584	2,933,008

The Company

As at 31 December 2015	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities								
Bank loans	—	1,915,765	—	—	—	—	—	1,915,765
Other payables	—	—	—	—	—	—	407	407
	—	1,915,765	—	—	—	—	407	1,916,172
Interest rate sensitivity gap	26,755	(1,593,642)	131,495	—	784,756	420,295	1,247,177	1,016,836

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The Company

As at 31 December 2016	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets								
Subordinated loans to subsidiaries	—	—	—	131,614	400,000	—	—	531,614
Accounts receivable	—	19	—	—	—	—	—	19
Other receivables	—	—	—	—	—	—	51,856	51,856
Amount due from ultimate holding company	—	—	—	—	—	—	1,460	1,460
Amounts due from subsidiaries	—	—	—	—	—	—	839,900	839,900
Amounts due from related parties	—	—	—	—	—	—	14,447	14,447
Available-for-sale investments	—	—	—	—	693,701	930,657	1,077,524	2,701,882
Financial assets at fair value through profit or loss	—	—	—	—	—	—	123,440	123,440
Derivative financial assets	—	—	—	—	—	—	359	359
Cash and bank balances	—	55,060	—	—	—	—	—	55,060
	—	55,079	—	131,614	1,093,701	930,657	2,108,986	4,320,037

The Company

As at 31 December 2016	Overdue	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities								
Bank loans	—	2,983,875	—	—	—	—	—	2,983,875
Other payables	—	—	—	—	—	—	14,355	14,355
Amount due to subsidiaries	—	—	—	—	—	—	349,302	349,302
Derivative financial liabilities	—	—	—	—	—	—	354	354
	—	2,983,875	—	—	—	—	364,011	3,347,886
Interest rate sensitivity gap	—	(2,928,796)	—	131,614	1,093,701	930,657	1,744,975	972,151

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to the "margin loans to customers", "cash and bank balances", "bank loans" and "subordinated loans from the ultimate holding company" as well as interest-bearing "accounts receivable" carried at amortised costs with floating interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") as its interest-bearing assets and liabilities are mainly Hong Kong dollar and United States Dollar denominated. The Group mainly manages interest rate risk through adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risk by diversification of assets.

The Group

	31 December		
	2014	2015	2016
Assets			
Accounts receivable — dealing in securities and futures	855,511	1,070,000	446,722
Margin loans to customers	4,548,132	4,913,279	5,123,260
Cash and bank balances	317,654	859,692	504,054
Liabilities			
Bank loans	(1,536,700)	(2,755,013)	(4,848,015)
Subordinated loans from the ultimate holding company	(800,000)	(1,000,000)	(1,000,000)
	3,384,597	3,087,958	226,021

The Company

	31 December		
	2014	2015	2016
Assets			
Subordinated loans to subsidiaries	200,000	331,495	531,614
Loan to a subsidiary	9,826	—	—
Accounts receivable	18	18	19
Cash and bank balances	60,526	322,105	55,060
Liabilities			
Bank loans	(932,260)	(1,915,765)	(2,983,875)
	(661,890)	(1,262,147)	(2,397,182)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period.

The Group

Change in basis points

	31 December					
	2014		2015		2016	
	+25	-25	+25	-25	+25	-25
Impact on profit after taxation	7,065	(7,065)	6,446	(6,446)	472	(472)

The Company

Change in basis points

	31 December					
	2014		2015		2016	
	+25	-25	+25	-25	+25	-25
Impact on profit after taxation	(1,382)	1,382	(2,634)	2,634	(5,004)	5,004

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in debt securities classified as available-for-sale securities and financial assets at fair value through profit or loss carried at fixed interest rate. The Group monitors the interest rate risks by quantifying market exposure in duration terms.

The Group's and Company's fair value interest rate risk exposure is summarised as follows:

The Group

	31 December		
	2014	2015	2016
Available-for-sale investments — debt	—	102,159	1,624,358
Financial assets at fair value through profit or loss — debt	104,607	4,043	400,859

The Company

	31 December		
	2014	2015	2016
Available-for-sale investments — debt	—	102,159	1,624,358
Financial assets at fair value through profit or loss — debt	—	—	—

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iii) Interest rate risk — continued

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period.

The Group

Change in basis points

	31 December					
	2014		2015		2016	
	+25	-25	+25	-25	+25	-25
Impact on profit after taxation	(443)	443	(37)	37	(1,457)	1,942
Impact on equity	—	—	(657)	687	(14,583)	18,024

The Company

Change in basis points

	31 December					
	2014		2015		2016	
	+25	-25	+25	-25	+25	-25
Impact on profit after taxation	—	—	—	—	—	—
Impact on equity	—	—	(657)	687	(14,583)	18,024

(iv) Other price risk

The Group and the Company are exposed to equity price risk because of investments held by the Group and the Company and classified on the consolidated statement of financial position as available-for-sale, and fair value through profit or loss. The directors of the Company manage the exposure by closely monitoring the portfolio of investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

Profit after taxation for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iv) Other price risk — continued

Available-for-sale investments

The Group

	31 December		
	2014	2015	2016
— Listed equity securities	114,200	80,250	31,570
— Preference shares	—	428,637	1,381,322
— Unlisted fund	—	—	39,537
— Unlisted equity	3,110	2,931	53,902
	117,310	511,818	1,506,331
Impact on equity			
Increases by 10%	11,731	51,182	150,633
Decreases by 10%	(11,731)	(51,182)	(150,633)

The Company

	31 December		
	2014	2015	2016
— Listed equity securities	114,200	80,250	31,570
— Preference shares	—	—	953,336
— Unlisted fund	—	—	39,537
— Unlisted equity	—	—	51,129
	114,200	80,250	1,075,572
Impact on equity			
Increases by 10%	11,420	8,025	107,557
Decreases by 10%	(11,420)	(8,025)	(107,557)

Financial assets at fair value through profit or loss

The Group

	31 December		
	2014	2015	2016
— Listed equity securities	131,931	49,429	32,137
— Funds	—	31,236	27,352
— Unlisted equity	10,746	10,128	105,672
	142,677	90,793	165,161
Impact on profit after taxation			
Increases by 10%	11,914	7,581	13,791
Decreases by 10%	(11,914)	(7,581)	(13,791)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iv) Other price risk — continued

Financial assets at fair value through profit or loss — continued

The Company

	31 December		
	2014	2015	2016
— Listed equity securities	16,650	—	—
— Funds	—	31,236	27,352
— Unlisted equity	—	—	96,088
	16,650	31,236	123,440
Impact on profit after taxation			
Increases by 10%	1,390	2,608	10,307
Decreases by 10%	(1,390)	(2,608)	(10,307)

Derivative financial assets

The Group

	31 December		
	2014	2015	2016
Derivative financial assets	194	—	359
Impact on profit after taxation			
Increases by 10%	16	—	30
Decreases by 10%	(16)	—	(30)

The Company

	31 December		
	2014	2015	2016
Derivative financial assets	—	—	359
Impact on profit after taxation			
Increases by 10%	—	—	30
Decreases by 10%	—	—	(30)

Financial liabilities at fair value through profit or loss

The Group

	31 December		
	2014	2015	2016
Financial liabilities to the investors of the funds consolidated	(71,003)	(24,281)	(18,446)
Impact on profit after taxation			
Increases by 10%	(5,929)	(2,027)	(1,540)
Decreases by 10%	5,929	2,027	1,540

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(a) Market risk — continued

(iv) Other price risk — continued

Derivative financial liabilities

The Group and the Company

	31 December		
	2014	2015	2016
— Derivative financial liabilities	—	—	(354)
Impact on profit after taxation			
Increases by 10%	—	—	(30)
Decreases by 10%	—	—	30

(b) Credit risk

The Group's and the Company's credit risk arises from the possibility that a client or counterparty in a transaction may default. Credit exposures arise principally in debt securities, derivative financial assets, accounts receivable, loans and advances, margin loans to customers, other assets, amount(s) due from the ultimate holding company/subsidiaries/an associate/related parties, other receivables, cash and bank balances, loan to a subsidiary and subordinated loans to subsidiaries. In order to minimise the credit risk, the Group and the Company have credit policies in place and the exposure to this risk is monitored on an ongoing basis. The Group and the Company employ a range of policies and practises to mitigate credit risk.

The Credit Committee is mainly in charge of the risk management of the securities brokerage and margin financing business and the implementation of the credit risk policies. The primary responsibilities of the Credit Committee include: (i) monitoring the risk management performance with reference to the various risk indicators, such as the loan-to-margin ratio and loan-to-value ratio, the percentage of margin loans attributable to the Group's top 20 customers by loan balance, and margin loan balance attributable to a single client; (ii) maintaining a list of shares qualified as collateral for the margin financing business and reviewing such list periodically; (iii) approving customers' applications on trading limit and credit limit; and (iv) developing risk management policies for transactions of cash accounts and institutional clients as well as settlement arrangements.

The Risk Management Committee is primarily responsible for designing the risk management structure and strategies for the principal businesses, reviewing and monitoring the implementation of risk management policies for the principal businesses, identifying risks and updating the risk management policies in response to changes. The Credit Risk Team of the Risk Management Department is responsible for the credit risk management of the securities brokerage and margin financing business, participating in the review process and supervising the relevant risk management work.

The Group seeks to control the credit risk exposure within the tolerance level and maximise the risk adjusted returns by identifying, quantifying, monitoring and managing credit risk based on the risk preference and net capital level. The Group has established a credit risk management framework covering all stages from due diligence, credit review, collateral management to post-loan credit examination. The Group monitors the loan-to-margin ratio and loan-to-value ratio on a regular basis of each client to whom the Group has provided financing and take appropriate actions to recover or minimise the losses. A daily report on the client's outstanding loan amount, value of the collateral and loan-to-margin and loan-to-value ratio is generated for the Group's ongoing monitoring and review. The Group has utilised tools such as limit indicators, admission criteria,

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

due diligence standards and internal audit requirements in developing the business in accordance with the Group's risk appetite.

Maximum exposure to credit risk before collateral held or other credit enhancement:

The Group

	31 December		
	2014	2015	2016
Other assets	27,357	34,376	28,727
Loans and advances	38,792	26,755	—
Accounts receivable	879,551	1,158,598	585,026
Other receivables	50,150	50,705	66,395
Margin loans to customers	4,548,132	4,913,279	5,123,260
Amount due from an associate	2,433	3,390	—
Amounts due from related parties	—	919	16,093
Held-to-maturity investments — debt	—	902,892	—
Available-for-sale investments — debt	—	102,159	1,624,358
Financial assets at fair value through profit or loss — debt	104,607	4,043	400,859
Derivative financial assets	194	—	359
Cash and bank balances	317,654	859,692	504,054
	5,968,870	8,056,808	8,349,131

The Company

	31 December		
	2014	2015	2016
Subordinated loans to subsidiaries	200,000	331,495	531,614
Loan to a subsidiary	9,826	—	—
Loans and advances	38,792	26,755	—
Accounts receivable	18	18	19
Other receivables	36,396	38,716	51,856
Amount due from the ultimate holding company	1,171	1,171	1,460
Amounts due from subsidiaries	1,371,748	1,092,082	839,900
Amount due from an associate	1,118	2,074	—
Amounts due from related parties	—	—	14,447
Held-to-maturity investments — debt	—	902,892	—
Available-for-sale investments — debt	—	102,159	1,624,358
Derivative financial assets	—	—	359
Cash and bank balances	60,526	322,105	55,060
	1,719,595	2,819,467	3,119,073

Other assets

Other assets are mainly guarantee fund and reserve funds maintained with Central Clearing and Settlement System, Hong Kong Futures Exchange ("HKFE") Clearing Corporation Limited and SEHK Options Clearing House Limited ("SEOCH").

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

Loan to a subsidiary and subordinated loans to subsidiaries

The Company made a loan to a subsidiary and subordinated loans to subsidiaries at market interest rates. The Company regularly reviews the repayment balances according to the loan agreements. The loan made to a subsidiary is unsecured, and with interest rates of 5%. The subordinated loans are unsecured and with interest rates of HIBOR plus 1%, HIBOR plus 2% and LIBOR plus 2.1%.

Loans and advances

The Group and the Company assess credit risk of loans to corporate clients by performing credit assessments, which are also subject to regular review and monitoring.

For the loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Risk Committee, Investment Committee and Board of Directors to facilitate their continuous monitoring of credit risk. In addition, the Group identifies credit concentration risk by industry, geography, client and counterparty. The Group monitors changes to counterparty credit risk, quality of the credit portfolio and concentration risk, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the regulator's guidelines and alignment with the regulation of parent company — Bank of Communications Co., Ltd. as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realization of collateral or the institution of legal proceedings) have been exhausted.

Accounts receivable

For accounts receivable arising from the Group's and the Company's corporate finance activities, due diligence on client's business and repayment ability will be conducted before granting of credit. Corporate Finance, Equity Capital Markets and Debt Capital Markets Department will closely update the client's business change through frequent contact with client. Exit strategies are set in place before granting of each credit.

Evaluations, supplemented by assessments of underlying collaterals, are performed on all clients requiring credit. Those receivables arising from cash client accounts are due on two to three days after the trade date.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

Credit risk from client securities dealing receivables under securities brokerage business is normally controlled through delivery-against-payment settlement and custody arrangement.

Other receivables

Other receivables that were neither past due nor impaired relate to a wide range of clients for whom that has no recent history of default. Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Group and the Company. Based on past experience, senior management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Margin loans to customers

Margin clients of the Group are required to pledge their security investments to the Group for the facilities for securities trading. The amount of facilities granted to them is determined by the discounted values of the shares and is monitored on an ongoing basis.

The collateral for covering the credit risk exposure in case of default is subject to mark-to-market monitoring on a daily basis. Default, margin call and forced liquidation procedures are in place for margin clients. When a customer's margin loan balance exceeds the credit limit granted or a customer's loan-to-margin ratio exceeds 100%, the Group will generate an alerter to help monitor its status and decide whether any additional collateral are required. Amongst the customers with loan-to-margin ratio in excess of 100%, the Group will take into consideration of various factors such as customers' background and the interest rate of loan, in particular, the loan-to-value ratio in excess of 75% in making requests for additional collateral.

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin loan business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral accepted by the Group.

Amount(s) due from the ultimate holding company/subsidiaries/an associate/related parties

Amount(s) due from the ultimate holding company/subsidiaries/an associate/related parties represents various income receivable arising from normal business transactions. The amounts are unsecured, interest-free and repayable on demand.

Debt securities

Debt securities are classified as held-to-maturity investments, available-for-sale investments and financial assets at fair value through profit or loss. The debt securities are mainly listed in The Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange and some overseas exchanges. An Investment Committee of the Group and the Company assesses the financial strengths and performance of the issuers to ensure the issuers satisfy the repayment of principal and interest as they fall due. The Committee limits the size of the debt portfolio and limits the exposure to a single industry and issuer in order to control the credit risk. The Committee also closely monitors the changes in the credit ratings of the issuers and follows the market news for taking immediate actions if there is an indication of a deterioration of the repayment ability of the issuers.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

Derivative financial assets

Derivative financial assets are currency futures and commodity futures traded in active markets. The credit risk exposure is determined by the change in the market prices of the derivatives. The Group and the Company manages the credit risk by monitoring counterparty's credit rating and limiting its trades with stock exchanges.

Cash and bank balances

Cash and bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk arising from cash and bank balances is minimal.

Credit quality — debt securities and derivative financial instruments

The credit quality of debt securities and derivative financial instruments can be assessed by reference to credit ratings obtained from major rating agencies in the country where debt and derivative issuers are located (if available) or to historical information about counterparty default rates. The Group and the Company make reference to the credit rating by using Standard & Poor's rating. If there is no rating from Standard & Poor's, Moody's, Fitch's or other credit rating agencies rating will be used.

Available-for-sales investments — debt

The Group and the Company

	31 December		
	2014	2015	2016
Standard & Poor's rating:			
A-	—	—	33,411
BBB+	—	—	177,306
BBB	—	—	292,000
BB+	—	—	106,946
BB	—	—	110,476
BB-	—	—	32,598
B+	—	—	71,531
B	—	—	109,095
B-	—	—	7,997
Moody's rating:			
Ba1	—	—	335,596
B1	—	—	101,335
No rating[1]	—	102,159	246,067
	—	102,159	1,624,358

(1) Financial assets with no rating represent listed corporate debts as at 31 December 2015 and listed and unlisted corporate debts as at 31 December 2016.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

Held-to-maturity investments — debt

The Group and the Company

	31 December		
	2014	2015	2016
Standard & Poor's rating:			
BB+	—	99,389	—
BB	—	231,693	—
BB-	—	29,672	—
B+	—	120,430	—
B	—	213,171	—
B-	—	70,785	—
CCC+	—	37,752	—
No rating(1)	—	100,000	—
	—	902,892	—

(1) Financial asset with no rating represents an unlisted corporate debt.

Financial assets at fair value through profit or loss — debt

The Group

	31 December		
	2014	2015	2016
Standard & Poor's rating:			
AAA	3,985	—	—
AA-	6,783	4,043	3,787
A-	17,576	—	—
BBB-	7,916	—	—
BB+	9,585	—	—
B	6,630	—	—
B-	10,857	—	—
Moody's rating:			
Ba1	7,843	—	—
Fitch's rating:			
BBB	8,052	—	—
No rating(1)	25,380	—	397,072
	104,607	4,043	400,859

(1) Financial assets with no rating represent listed corporate debts.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

Derivative financial assets

The Group

	31 December		
	2014	2015	2016
No rating	194	—	359

The Company

	31 December		
	2014	2015	2016
No rating	—	—	359

Derivative financial liabilities

The Group and the Company

	31 December		
	2014	2015	2016
Standard & Poor's rating:			
A-	—	—	(354)

The following tables show the credit exposure to accounts receivable, margin loans to customers and loans and advances.

The Group

At 31 December 2014	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment allowance	Total
— Clients	331,460	60,272	—	—	391,732
— Brokers	80,464	—	—	—	80,464
— Clearing house	383,315	—	—	—	383,315
— Corporate finance services	5,687	4,050	—	—	9,737
— Underwriting business	12,711	1,592	—	—	14,303
Accounts receivable	813,637	65,914	—	—	879,551
Loans and advances	—	38,792	352,234	(352,234)	38,792
Margin loans to customers	4,548,132	—	—	—	4,548,132

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

The Group

At 31 December 2015	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment allowance	Total
— Clients	162,015	702,880	—	—	864,895
— Brokers	119,365	—	—	—	119,365
— Clearing house	85,740	—	—	—	85,740
— Corporate finance services	1,470	1,000	—	—	2,470
— Underwriting business	82,921	3,207	—	—	86,128
Accounts receivable	451,511	707,087	—	—	1,158,598
Loans and advances	—	26,755	364,271	(364,271)	26,755
Margin loans to customers	4,913,279	—	—	—	4,913,279

The Group

At 31 December 2016	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment allowance	Total
— Clients	218,413	5,022	—	—	223,435
— Brokers	86,155	—	—	—	86,155
— Clearing house	137,132	—	—	—	137,132
— Corporate finance services	10,790	421	—	—	11,211
— Underwriting business	125,533	1,560	—	—	127,093
Accounts receivable	578,023	7,003	—	—	585,026
Loans and advances	—	—	270,970	(270,970)	—
Margin loans to customers	5,123,260	—	8,260	(8,260)	5,123,260

The Company

	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment allowance	Total
At 31 December 2014					
Accounts receivable — brokers	18	—	—	—	18
Loans and advances	—	38,792	352,234	(352,234)	38,792
At 31 December 2015					
Accounts receivable — brokers	18	—	—	—	18
Loans and advances	—	26,755	364,271	(364,271)	26,755
At 31 December 2016					
Accounts receivable — brokers	19	—	—	—	19
Loans and advances	—	—	270,970	(270,970)	—

For accounts receivable and margin loans to customers, the market value of securities pledged as collateral held by the Group were greater than outstanding balances.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

The table below showed the market value of securities pledged as collateral from clients:

The Group

	31 December		
	2014	2015	2016
Total market value of securities pledged as collateral in respect of margin loans to customers	20,265,832	13,945,318	16,932,738
Total market value of securities pledged as collateral in respect of overdue accounts receivable — clients	321,229	1,115,778	227,440

Ageing analysis of past due but not impaired accounts receivable and loans and advances

The Group

Accounts receivable

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
At 31 December 2014					
Clients	5,575	5,364	7,515	41,818	60,272
Corporate finance services	—	—	—	4,050	4,050
Underwriting business	—	—	—	1,592	1,592
	5,575	5,364	7,515	47,460	65,914
At 31 December 2015					
Clients	686,803	2,503	1,987	11,587	702,880
Corporate finance services	—	—	—	1,000	1,000
Underwriting business	—	—	—	3,207	3,207
	686,803	2,503	1,987	15,794	707,087
At 31 December 2016					
Clients	4,130	169	50	673	5,022
Corporate finance services	221	—	—	200	421
Underwriting business	—	—	—	1,560	1,560
	4,351	169	50	2,433	7,003

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

The Group and the Company

Loans and advances

	Less than 30 days	31 to 60 Days	61 to 90 Days	More than 90 Days	Total
At 31 December 2014	—	—	—	38,792	38,792
At 31 December 2015	—	—	—	26,755	26,755
At 31 December 2016	—	—	—	—	—

For loans and advances, the Group and the Company assess the loans using the following credit grading assessment.

Gross loans and advances — grading

The Group and the Company

	31 December		
	2014	2015	2016
Pass	—	—	—
Special Mention	—	—	—
Substandard	120,056	—	—
Doubtful	—	120,056	—
Loss	270,970	270,970	270,970
Subtotal	391,026	391,026	270,970

The table below showed the market value of securities pledged as collateral from borrowing.

The Group and the Company

	31 December		
	2014	2015	2016
Total market value of securities pledged as collateral in respect of loans and receivable	38,792	26,755	—

(c) Liquidity risk

Liquidity risk refers to the risk of the Group's and the Company's failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay due debts, perform other payment obligations and satisfy the capital requirements to carry on the Group's and the Company's businesses in the ordinary course. The licensed subsidiaries are required to maintain at all times liquid capital no less than the stipulated level under the Financial Resources Rules, and report to the SFC our liquidity positions on a monthly basis. The Group and the Company is responsible for the management of liquidity risk with the aim to maintain sufficient cash and marketable securities, ensure the availability of funding through an adequate amount of committed credit facilities and assess the ability to close out market positions.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Liquidity risk — continued

The Finance and Accounting Department is responsible for compiling a daily cash position report in which the information of bank balances and loan balances of different maturities, expected cash inflows and outflows and outstanding loan facilities are all forecasted and computed. The Department would base on the report to monitor daily liquidity risk and foresee if any funding is required. Besides, some of the subsidiaries of the Group are regulated by SFC, those subsidiaries' liquid capital are calculated and assessed daily to fulfill the Financial Resources Rules.

The following table details the maturities analysis at the end of the reporting period of the Group's and Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company is required to pay.

(i) Non derivatives

The Group

	On demand or less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
At 31 December 2014					
Bank loans	1,536,700	—	—	—	1,536,700
Subordinated loans from the ultimate holding company	580	1,105	603,974	202,222	807,881
Other payables	26,828	—	—	—	26,828
Accounts payable	557,163	—	—	—	557,163
Amount due to a fellow subsidiary	50	—	—	—	50
Amount due to the ultimate holding company	4,799	—	—	—	4,799
Financial liabilities at fair value through profit or loss	71,003	—	—	—	71,003
	2,197,123	1,105	603,974	202,222	3,004,424
At 31 December 2015					
Bank loans	1,617,307	302,018	13,533	868,870	2,801,728
Subordinated loans from the ultimate holding company	786	1,495	406,499	602,539	1,011,319
Other payables	897,661	—	—	—	897,661
Accounts payable	262,282	—	—	—	262,282
Amount due to the ultimate holding company	7,053	—	—	—	7,053
Financial liabilities at fair value through profit or loss	24,281	—	—	—	24,281
	2,809,370	303,513	420,032	1,471,409	5,004,324

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Liquidity risk — continued

(i) Non derivatives — continued

The Group — continued

	On demand or less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
At 31 December 2016					
Bank loans	3,257,014	304,293	24,546	1,314,120	4,899,973
Subordinated loans from the ultimate holding company	1,221	2,324	1,005,932	—	1,009,477
Other payables	42,270	—	—	—	42,270
Accounts payable	115,351	—	—	—	115,351
Amount due to the ultimate holding company	5,806	—	—	—	5,806
Financial liabilities at fair value through profit or loss	18,446	—	—	—	18,446
	3,440,108	306,617	1,030,478	1,314,120	6,091,323

The Company

	On demand or less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
At 31 December 2014					
Bank loans	932,260	—	—	—	932,260
Other payables	788	—	—	—	788
	933,048	—	—	—	933,048
At 31 December 2015					
Bank loans	1,616,408	1,224	5,707	310,521	1,933,860
Other payables	407	—	—	—	407
	1,616,815	1,224	5,707	310,521	1,934,267
At 31 December 2016					
Bank loans	2,684,651	1,477	6,886	303,531	2,996,545
Other payables	14,355	—	—	—	14,355
Amounts due to subsidiaries	349,302	—	—	—	349,302
	3,048,308	1,477	6,886	303,531	3,360,202

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Liquidity risk — continued

(ii) Derivatives settled on a gross basis

The Group's derivative financial instruments that will be settled on a gross basis include: commodity futures and currency futures contract.

The Group

	On demand or less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
At 31 December 2014					
Derivative financial instrument held for trading					
Currency futures					
Outflow	(204,259)	—	—	—	(204,259)
Inflow	205,112	—	—	—	205,112

The Group and the Company

	On demand or less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
At 31 December 2016					
Derivative financial instruments held for trading					
Commodity futures					
Outflow	(66,709)	—	—	—	(66,709)
Inflow	66,715	—	—	—	66,715

3.2 Capital risk management

The Group's and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of consolidated statement of financial position, are:

(i) to comply with the requirements of the Hong Kong Securities and Futures Ordinance ("HKSFO") for the Company's licensed subsidiaries in carrying various types of regulated activities;

(ii) to support the Group's stability and growth;

(iii) to optimise risk adjusted return to the shareholders; and

(iv) to maintain a strong capital base to support the development of its business.

The subsidiaries of the Company licensed under the HKSFO are also required to maintain adequate financial resources to support their businesses. The Securities and Futures (Financial Resources) Rules require a licensed corporation to maintain liquid capital which is not less than its required liquid capital. During the years, the Company's licensed subsidiaries have maintained adequate liquid capital to meet the requirement. During the years ended 31 December 2014, 2015 and 2016, the Company's licensed subsidiaries were regulated by the Hong Kong Securities and Futures Commission ("SFC") and they complied with the statutory capital requirement.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.2 Capital risk management — continued

The Group and the Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group and the Company consists of share capital and reserves. The Group's and the Company's overall strategy remains unchanged throughout the years.

The Group has Capital Allocation policies. Directors, Finance and Accounting Department and Risk Management Department would discuss at the beginning of each year to set absolute and relative exposure limits of the capital to different classes of assets, after analysing the capital needs, potential returns and business risks of different segments of business. Throughout the year, the usage and allocation of capital would be closely scrutinised to make sure it would not be deviated from its plan. The purpose of these policies is to maximise the shareholders' return within a controllable risk level.

The Group

	31 December		
	2014	2015	2016
Total borrowings (Note 41)	2,336,700	3,755,013	5,848,015
Total equity	3,302,157	3,644,940	3,986,118
Gearing ratio	70.76%	103.02%	146.71%

The Company

	31 December		
	2014	2015	2016
Total borrowings (Note 41)	932,260	1,915,765	2,983,875
Total equity	2,156,767	2,102,996	2,210,476
Gearing ratio	43.22%	91.10%	134.99%

3.3 Fair value estimation

(a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(a) Determination of fair value and valuation techniques — continued

- Level 3 inputs are unobservable inputs for the asset or liability.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in level 1. Instruments in level 1 mainly comprise equities and debt securities listed in The Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange and some overseas exchanges. They also include preference shares and a public fund listed in The Hong Kong Stock Exchange.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(iii) Financial instrument in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value certain financial instruments include:

- the fair value of financial instruments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

- the fair value of derivative financial instruments are calculated with reference to brokers' quotes.

- the fair value of other financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

(b) Financial instruments not measured at fair value

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, accounts receivable, other receivables, amount due from an associate, amount due from related parties, margin loan to customers, accounts payable, amount due to a fellow subsidiary, amount due to the ultimate holding company and other payable, their fair value approximate their carrying amounts.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(b) Financial instruments not measured at fair value — continued

In accordance with the related regulations, the Group can redeem its refundable deposits with Stock Exchanges, Futures Exchanges and Options and Securities Clearing House. The Group assesses the fair value of refundable deposits approximates the carrying amount.

The table below summarised the carrying amounts and fair values where there are obvious variances from the carrying amounts of those financial assets and liabilities that are not presented on the statement of financial position at their fair values.

The Group and the Company

	31 December					
	2014		2015		2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity investments	—	—	902,892	1,024,139	—	—

Fair value hierarchy of financial instruments not measured at fair value

As at December 2015

	Level 1	Level 2	Level 3	Total
Held-to-maturity investment	924,139	100,000	—	1,024,139

(c) Financial assets and liabilities measured at fair value on a recurring basis

The table below summarised the information relating to the fair value hierarchy of the financial assets and financial liabilities measured at fair value on a recurring basis.

At 31 December 2014

The Group

	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	114,200	—	—	114,200
Other investments	—	—	5,228	5,228
	114,200	—	5,228	119,428
Financial assets at fair value through profit or loss				
Equity securities	131,931	—	—	131,931
Debt investments	104,607	—	—	104,607
Other investments	—	—	10,746	10,746
	236,538	—	10,746	247,284
Derivative financial assets	194	—	—	194
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	(71,003)	—	—	(71,003)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(c) Financial assets and liabilities measured at fair value on a recurring basis — continued

The Company

	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	114,200	—	—	114,200
Other investments	—	—	2,118	2,118
	114,200	—	2,118	116,318
Financial assets at fair value through profit or loss				
Equity securities	16,650	—	—	16,650

At 31 December 2015

The Group

	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	80,250	—	—	80,250
Debt investments	102,159	—	—	102,159
Preference shares	428,637	—	—	428,637
Other investments	—	—	4,986	4,986
	611,046	—	4,986	616,032
Financial assets at fair value through profit or loss				
Equity securities	49,429	—	—	49,429
Debt investments	4,043	—	—	4,043
Funds	31,236	—	—	31,236
Other investments	—	—	10,128	10,128
	84,708	—	10,128	94,836
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	(24,281)	—	—	(24,281)

The Company

	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	80,250	—	—	80,250
Debt investments	102,159	—	—	102,159
Other investments	—	—	2,055	2,055
	182,409	—	2,055	184,464
Financial assets at fair value through profit or loss				
Funds	31,236	—	—	31,236

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(c) Financial assets and liabilities measured at fair value on a recurring basis — continued

At 31 December 2016

The Group

	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	31,570	—	—	31,570
Debt investments	1,524,358	100,000	—	1,624,358
Preference shares	1,303,902	—	77,420	1,381,322
Other investments	—	—	55,854	55,854
Unlisted fund	—	—	39,537	39,537
	2,859,830	100,000	172,811	3,132,641
Financial assets at fair value through profit or loss				
Equity securities	32,137	—	—	32,137
Debt investments	400,859	—	—	400,859
Funds	27,352	—	—	27,352
Other investments	—	—	105,672	105,672
	460,348	—	105,672	566,020
Derivative financial assets	359	—	—	359
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	(18,446)	—	—	(18,446)
Derivative financial liabilities	—	(354)	—	(354)

The Company

	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	31,570	—	—	31,570
Debt investments	1,524,358	100,000	—	1,624,358
Preference shares	875,916	—	77,420	953,336
Other investments	—	—	53,081	53,081
Unlisted fund	—	—	39,537	39,537
	2,431,844	100,000	170,038	2,701,882
Financial assets at fair value through profit or loss				
Funds	27,352	—	—	27,352
Other investments	—	—	96,088	96,088
	27,352	—	96,088	123,440
Derivative financial assets	359	—	—	359
Derivative financial liabilities	—	(354)	—	(354)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(c) Financial assets and liabilities measured at fair value on a recurring basis — continued

Fair values of derivatives are obtained from quoted market prices in active markets or derived from quoted market prices.

There is no transfer between levels for the years ended 31 December 2014, 2015 and 2016.

Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the years ended 31 December 2014, 2015 and 2016.

The Group

Available-for-sale investments

	31 December		
	2014	2015	2016
Beginning of the year	5,329	5,228	4,986
Addition during the year	—	—	173,584
Net loss recognised in other comprehensive income	(101)	(242)	(5,759)
End of the year	5,228	4,986	172,811

Financial assets at fair value through profit or loss

	31 December		
	2014	2015	2016
Beginning of the year	13,003	10,746	10,128
Transfer out due to acquisition	(1,949)	—	—
Addition during the year	—	—	73,549
Net (loss)/gain recognised in profit or loss	(308)	(618)	21,995
End of the year	10,746	10,128	105,672

The Company

Available-for-sale investments

	31 December		
	2014	2015	2016
Beginning of the year	2,144	2,118	2,055
Addition during the year	—	—	173,584
Net loss recognised in other comprehensive income	(26)	(63)	(5,601)
End of the year	2,118	2,055	170,038

Financial assets at fair value through profit or loss

	31 December		
	2014	2015	2016
Beginning of the year	—	—	—
Addition during the year	—	—	73,549
Net gain recognised in profit or loss	—	—	22,539
End of the year	—	—	96,088

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(c) Financial assets and liabilities measured at fair value on a recurring basis — continued

The Group and the Company adopted consistent and transparent methodology basing on these valuation techniques above for determining fair value. Regardless of the valuation methodology used, once used, it should continue to be used until a new methodology will provide a better approximation of the investment's current fair value. The management expected that there would not be frequent changes in valuation techniques.

Table below provides information about how the Group and the Company determine fair values of various financial instruments under Level 3.

The Group

	Fair value at 31 December						
Available-for-sale investments	2014	2015	2016	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Club debentures	2,118	2,055	1,952	Recent transaction price	Liquidity discount	25%	(ii)
Shanghai Chengdingchuangtuo Investment Fund Co., Ltd* 上海誠鼎創拓股權投資基金有限公司	3,110	2,931	2,773	Allocated net asset value	Net asset value	N/A	(iii)
BOCOM International Global Investment Limited (REITS 003)	—	—	51,129	Allocated net asset value	Net asset value	N/A	(iii)
Great Wall Property Investment Fund Limited Partnership	—	—	39,537	Allocated net asset value	Net asset value	N/A	(iii)
Xiaoju Kuaizhi Inc Series A-18 Preference share	—	—	77,420	Recent transaction price	(i)	N/A	(iv)
Total	5,228	4,986	172,811				

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(c) Financial assets and liabilities measured at fair value on a recurring basis — continued

The Group

Financial assets at fair value through profit or loss	Fair value at 31 December 2014	2015	2016	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Changzhou Evergreen AVE Co., Ltd* 常州長青埃濰交通設備有限公司	10,746	10,128	9,584	Allocated net asset value	Net asset value	N/A	(iii)
Assets Eagle Global Limited	—	—	96,088	Allocated net asset value	Net asset value	N/A	(iii)
Total	10,746	10,128	105,672				

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

(i) The Directors of the Company consider that the financial position of these investments have no significant change since its recent transaction, and hence no adjustment to the recent transaction price is needed.

(ii) The higher the discount rate, the lower the fair value.

(iii) The higher the net asset value, the higher the fair value.

(iv) The higher the adjustment to the recent transaction price, the higher the fair value.

The Company

Available-for-sale investments	Fair value at 31 December 2014	2015	2016	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Club debentures	2,118	2,055	1,952	Recent transaction price	Liquidity discount	25%	(ii)
BOCOM International Global Investment Limited (REITS 003)	—	—	51,129	Allocated net asset value	Net asset value	N/A	(iii)
Great Wall Property Investment Fund Limited Partnership	—	—	39,537	Allocated net asset value	Net asset value	N/A	(iii)
Xiaoju Kuaizhi Inc Series A-18 Preference share	—	—	77,420	Recent transaction price	(i)	N/A	(iv)
	2,118	2,055	170,038				
Financial assets at fair value through profit or loss							
Assets Eagle Global Limited	—	—	96,088	Allocated net asset value	Net asset value	N/A	(iii)
	—	—	96,088				

(i) The Directors of the Company consider that the financial position of these investments have no significant change since its recent transaction, and hence no adjustment to the recent transaction price is needed.

(ii) The higher the discount rate, the lower the fair value.

(iii) The higher the net asset value, the higher the fair value.

(iv) The higher the adjustment to the recent transaction price, the higher the fair value.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.3 Fair value estimation — continued

(c) Financial assets and liabilities measured at fair value on a recurring basis — continued

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to changes of unobservable inputs. The changes on one or more of the unobservable inputs would change the fair value of financial instruments in Level 3. The number shown below indicates an increase in profit after taxation/total assets and other comprehensive income/equity where unobservable inputs have a reasonably possible shift as shown.

The Group

Change in liquidity discount rate

	2014		2015		2016	
	+10%	-10%	+10%	-10%	+10%	-10%
Impact on other comprehensive income/equity	(212)	212	(206)	206	(195)	195

Change in net asset value

	2014		2015		2016	
	+10%	-10%	+10%	-10%	+10%	-10%
Impact on profit after taxation/total assets	897	(897)	846	(846)	8,824	(8,824)
Impact on other comprehensive income/equity	311	-311	293	(293)	9,344	(9,344)

Change in adjustment to the recent transaction price

	2014		2015		2016	
	+10%	-10%	+10%	-10%	+10%	-10%
Impact on other comprehensive income/equity	—	—	—	—	7,742	(7,742)

The Company

Change in liquidity discount rate

	2014		2015		2016	
	+10%	-10%	+10%	-10%	+10%	-10%
Impact on other comprehensive income/equity	(212)	212	(206)	206	(195)	195

Change in net asset value

	2014		2015		2016	
	+10%	-10%	+10%	-10%	+10%	-10%
Impact on profit after taxation/total assets	—	—	—	—	8,023	(8,023)
Impact on other comprehensive income/equity	—	—	—	—	9,067	(9,067)

Change in adjustment to the recent transaction price

	2014		2015		2016	
	+10%	-10%	+10%	-10%	+10%	-10%
Impact on other comprehensive income/equity	—	—	—	—	7,742	(7,742)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The Group has net off the financial asset and financial liabilities with counterparties and clearing house for un-settled trades.

The Group

As at 31 December 2014

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position
Accounts receivable from			
— Clients	629,316	(237,584)	391,732
— Brokers	84,435	(3,971)	80,464
— Clearing house	1,313,436	(930,121)	383,315
— Corporate finance services	9,737	—	9,737
— Underwriting business	14,303	—	14,303
Margin loans to customers	5,022,378	(474,246)	4,548,132
Total	7,073,605	(1,645,922)	5,427,683

As at 31 December 2015

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position
Accounts receivable from			
— Clients	1,070,376	(205,481)	864,895
— Brokers	119,713	(348)	119,365
— Clearing house	672,041	(586,301)	85,740
— Corporate finance services	2,470	—	2,470
— Underwriting business	86,128	—	86,128
Margin loans to customers	5,170,391	(257,112)	4,913,279
Total	7,121,119	(1,049,242)	6,071,877

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.4 Offsetting financial assets and financial liabilities — continued

(a) Financial assets — continued

The Group

As at 31 December 2016

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position
Accounts receivable from			
— Clients	400,893	(177,458)	223,435
— Brokers	86,696	(541)	86,155
— Clearing house	642,593	(505,461)	137,132
— Corporate finance services	11,211	—	11,211
— Underwriting business	127,093	—	127,093
Margin loans to customers	5,355,874	(232,614)	5,123,260
Total	6,624,360	(916,074)	5,708,286

(b) Financial liabilities

The Group

As at 31 December 2014

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position
Accounts payable to			
— Clients	1,264,641	(711,830)	552,811
— Clearing house	934,473	(930,121)	4,352
— Brokers	3,971	(3,971)	—
Total	2,203,085	(1,645,922)	557,163

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

3 Financial risk management — continued

3.4 Offsetting financial assets and financial liabilities — continued

(b) Financial liabilities — continued

The Group

As at 31 December 2015

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position
Accounts payable to			
— Clients	685,406	(462,593)	222,813
— Clearing house	625,770	(586,301)	39,469
— Brokers	348	(348)	—
Total	1,311,524	(1,049,242)	262,282

As at 31 December 2016

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position
Accounts payable to			
— Clients	490,214	(410,072)	80,142
— Clearing house	519,803	(505,462)	14,341
— Brokers	21,409	(541)	20,868
Total	1,031,426	(916,075)	115,351

No financial assets or liabilities are subject to offsetting for the Company.

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

4 Critical accounting estimates and judgements — continued

(a) Income taxes — continued

the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Fair value of financial instruments and impairment of available-for-sale investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

A significant or prolonged decline in the fair value of an equity investment classified as available-for-sale indicates there is objective evidence that the equity instrument is impaired. The Group assesses the fair value of available-for-sale equity instruments individually at statement of financial position date and determines that it is impaired if the fair value of the equity instrument declines to less than 50% (inclusive) or more of its initial cost or the fair value has been lower than its initial cost for more than one year (inclusive).

Though the fair value of an available-for-sale financial asset declines less than 50% of its initial cost, the Company recognises impairment losses in profit or loss if it concludes this decline is prolonged and expected to last for more than one year based on judgement of the Directors of the Company.

(c) Impairment allowances on loans and advances

The Group reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recognised in the consolidated statement of comprehensive income, the Group makes judgments as to where there is any observable data indicating that there is a measurable decrease in the estimated future cash flows on each individual loan in that portfolio.

(d) Impairment allowances on margin loans to customers

The policy for impairment allowances on margin loans to customers of the Group is based on the evaluation of the incurred loss at balance sheet date on a case-by-case basis, and is applied to all individual accounts and on management's judgement. Generally, impairment allowances will be recognised when clients' collaterals are insufficient to cover their outstanding loan balances. A considerable amount of judgement is required in assessing the realisation, including the current creditworthiness, and the past collection history of each loan.

(e) Structured entities

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment periodically.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

5 Commission and fee income

	For the years ended 31 December		
	2014	2015	2016
Brokerage commission	237,721	325,845	140,820
Corporate finance and underwriting fee	95,943	330,179	216,494
Asset management and advisory income	9,805	34,704	129,443
	343,469	690,728	486,757

6 Interest income from loans or clients

	For the years ended 31 December		
	2014	2015	2016
Interest income from margin financing	369,254	393,030	331,906
Interest income from loans and advances	1,573	—	34,713
	370,827	393,030	366,619

7 Proprietary trading income

	For the years ended 31 December		
	2014	2015	2016
Unrealised gain/(loss) on financial assets at fair value through profit or loss	25,772	(33,747)	23,279
Realised gain/(loss) on financial assets at fair value through profit or loss	13,750	1,771	(2,955)
Realised gain/(loss) on available-for-sale investments	4,748	(19,790)	29,592
Realised gain on held-to-maturity investments	—	—	926
Fair value changes from financial liabilities at fair value through profit or loss	(15,920)	11,933	1,133
Dividend income from			
— Financial assets at fair value through profit or loss	2,561	2,390	813
— Available-for-sale investments	1,387	599	32,911
Bond interest income from			
— Financial assets at fair value through profit or loss	7,356	3,293	13,961
— Available-for-sale investments	—	2,775	39,650
— Held-to-maturity investments	—	40,596	30,583
	39,654	9,820	169,893

Proprietary trading income refers to the Group's net investment income, which is generated from the Group's proprietary investment activities.

8 Other income

	For the years ended 31 December		
	2014	2015	2016
Handling fees	17,615	18,745	16,195
Price stabilisation profit	—	15,432	—
Other interest income	9,039	8,123	8,808
Others	1,316	2,082	4,701
Exchange gains	—	2,644	—
	27,970	47,026	29,704

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

9 Commission and brokerage expenses

	For the years ended 31 December		
	2014	2015	2016
Commission rebate to account executives	86,184	147,016	52,966
Commission rebate to the ultimate holding company (Note 43)	3,898	7,822	5,919
Others	179	144	1,006
	90,261	154,982	59,891

10 Finance costs

	For the years ended 31 December		
	2014	2015	2016
Interest expenses on subordinated loans from the ultimate holding company (Note 43)	13,747	16,147	17,796
Interest expenses on loans from the ultimate holding company (Note 43)	7,404	9,997	17,143
Interest expenses on bank loans and overdraft from other financial institutions	30,940	43,538	63,489
Others	—	407	1,242
	52,091	70,089	99,670

11 Staff costs

	For the years ended 31 December		
	2014	2015	2016
Directors' remuneration			
— Fee, salaries, bonus and other emoluments	4,408	14,584	11,849
— Contributions to retirement benefit scheme	645	1,072	652
Other staff costs			
— Salaries, bonus, staff allowances	144,967	255,575	223,764
— Contributions to retirement benefit scheme	7,206	16,690	6,972
	157,226	287,921	243,237

During the year, no benefits were provided in respect of the termination of the service of directors and the Group did not incur any payment to third parties for making available directors' services.

Five highest paid individuals

The five individuals whose emolument were the highest in the Group include nil, one and nil director whose emolument is reflected in the analysis below for the years ended 31 December 2014, 2015 and 2016.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

11 Staff costs — continued

The emolument payable to the remaining individuals (excluding directors) during the year are as follows:

Number of individuals

	For the years ended 31 December		
	2014	2015	2016
Individuals			
Emolument bands			
1,500,001 – 2,000,000	—	—	—
2,000,001 – 2,500,000	—	—	—
2,500,001 – 3,000,000	1	—	—
3,000,001 – 3,500,000	2	—	—
4,000,001 – 4,500,000	1	—	—
4,500,001 – 5,000,000	1	—	2
5,000,001 – 5,500,000	—	—	1
5,500,001 – 6,000,000	—	2	1
8,000,001 – 8,500,000	—	1	1
8,500,001 – 9,000,000	—	1	—
Number of individuals	5	4	5

Details of the remuneration payable to the remaining five, four and five individuals for the years ended 31 December 2014, 2015 and 2016 respectively, whose emoluments were highest in the Group are as follows:

	For the years ended 31 December		
	2014	2015	2016
Basic salaries, housing allowances, other allowances and benefits in kind	11,617	10,718	11,215
Contribution to retirement benefit scheme	819	1,146	712
Bonus	6,255	16,419	17,017
	18,691	28,283	28,944

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

12 Benefits and interests of directors

Directors' and chief executive's emoluments

The remuneration of every director and chief executive from each of the years ended 31 December 2014, 2015 and 2016 is as follows:

For the year ended 31 December 2014

Name	Fees	Salary	Discretionary bonus	Employer's contribution to a retirement benefit scheme	Total
Niu Ximing 牛錫明 (1)	—	—	—	—	—
Tan Yueheng 譚岳衡 (2)	—	2,160	360	343	2,863
Cheng Chuange 程傳閣	—	1,530	255	302	2,087
Lin Zhihong 林至紅 (3)	—	—	—	—	—
Liu Kun 劉堃 (4)	—	—	—	—	—
Ruan Hong 阮紅	—	—	—	—	—
Shou Fugang 壽福鋼	—	—	—	—	—
Wang Yijun 王憶軍	—	—	—	—	—
Wu Wei 吳偉	—	—	—	—	—
Zhou Xiang 周翔 (5)	—	—	—	—	—
Independent non-executive director:					
Tse Yung Hoi 謝湧海 (6)	103	—	—	—	103
Total	103	3,690	615	645	5,053

For the year ended 31 December 2015

Name	Fees	Salary	Discretionary bonus	Employer's contribution to a retirement benefit scheme	Total
Niu Ximing 牛錫明 (1)	—	—	—	—	—
Tan Yueheng 譚岳衡 (2)	—	2,160	2,695	453	5,308
Li Ying 李鷹 (7)	—	2,299	2,700	221	5,220
Cheng Chuange 程傳閣	—	1,530	3,000	398	4,928
Lin Zhihong 林至紅	—	—	—	—	—
Ma Xutian 馬續田 (8)	—	—	—	—	—
Ruan Hong 阮紅 (9)	—	—	—	—	—
Shou Fugang 壽福鋼	—	—	—	—	—
Wang Yijun 王憶軍	—	—	—	—	—
Wu Wei 吳偉 (10)	—	—	—	—	—
Zhou Xiang 周翔 (11)	—	—	—	—	—
Independent non-executive director:					
Tse Yung Hoi 謝湧海	200	—	—	—	200
Total	200	5,989	8,395	1,072	15,656

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

12 Benefits and interests of directors — continued

For the year ended 31 December 2016

Name	Fees	Salary	Discretionary bonus	Employer's contribution to a retirement benefit scheme	Total
Niu Ximing 牛錫明(1), (12)	—	—	—	—	—
Tan Yueheng 譚岳衡(2), (14)	—	2,404	1,740	269	4,413
Li Ying 李鷹(14)	—	2,240	1,710	145	4,095
Cheng Chuange 程傳閣(14)	—	1,605	1,800	238	3,643
Lin Zhihong 林至紅	—	—	—	—	—
Ma Xutian 馬續田(13)	—	—	—	—	—
Shou Fugang 壽福鋼	—	—	—	—	—
Wang Yijun 王憶軍	—	—	—	—	—
Independent non-executive director:					
Tse Yung Hoi 謝湧海	228	—	—	—	228
Ma Ning 馬宁(15)	61	—	—	—	61
Lin Zhijun 林志軍(15)	61	—	—	—	61
Total	350	6,249	5,250	652	12,501

(1) The remuneration of Niu Ximing was borne by the ultimate holding company. No apportionment of the remunerations between the ultimate holding company and the Company has been made during the Relevant Periods.

(2) Tan Yueheng was appointed to be the Chief Executive Officer in July 2007 and ceased to be the Chief Executive Officer in July 2016. Tan Yueheng was appointed to be the Chairman of the Board in July 2016.

(3) Lin Zhihong was appointed to be director effective from November 2014.

(4) Liu Kun ceased to be director effective from November 2014.

(5) Zhou Xiang was appointed to be director effective from November 2014.

(6) Tse Yung Hoi was appointed to be director effective from June 2014.

(7) Li Ying was appointed to be director effective from June 2015.

(8) Ma Xutian was appointed to be director effective from June 2015.

(9) Ruan Hong ceased to be director effective from June 2015.

(10) Wu Wei ceased to be director effective from June 2015.

(11) Zhou Xiang ceased to be director effective from June 2015.

(12) Niu Ximing ceased to be director effective from July 2016.

(13) Ma Xutian ceased to be director effective from March 2016.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

12 Benefits and interests of directors — continued

(14) Tan Yueheng, Li Ying and Cheng Chuange were appointed to be executive directors in October 2016.

(15) Ma Ning and Lin Zhijun were appointed to be directors effective from October 2016.

No directors waived or agreed to waive any emoluments during the Relevant Periods. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

13 Operating lease charges and commitments

Operating lease payments represent office and carpark rentals and building management fees payable by the Group for office premises, staff quarters and carparks. Leases are negotiated for an average term of 3 years and rentals are fixed for an average term of 3 years.

	For the years ended 31 December		
	2014	2015	2016
Operating lease charges	45,556	51,571	52,567

The followings are the office and carpark rentals paid to ultimate holding company and fellow subsidiaries (Note 43):

	For the years ended 31 December		
	2014	2015	2016
Office and carpark rental expenses	2,247	3,818	9,087

At the end of the reporting period, the Group and the Company had commitments for future aggregate minimum lease payments under non-cancellable operating leases as follows:

The Group

	31 December		
	2014	2015	2016
No later than 1 year	33,851	46,598	43,028
Later than 1 year and no later than 5 years	6,519	82,538	36,892
	40,370	129,136	79,920

The Company

	31 December		
	2014	2015	2016
No later than 1 year	30,985	35,142	35,221
Later than 1 year and no later than 5 years	6,519	52,128	16,075
	37,504	87,270	51,296

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

14 Other operating expenses

	For the years ended 31 December		
	2014	2015	2016
Exchange and clearing fees	20,232	28,481	22,960
Office and maintenance expenses	19,615	22,921	27,205
IT expenses	19,537	28,881	26,145
Motor and travelling expenses	5,348	9,382	9,470
Bank charges	1,961	1,892	6,492
Legal and professional fee	4,834	4,322	8,021
Business development expenses	4,182	4,965	3,790
Recruitment expenses	4,588	5,318	4,820
Business tax expenses	2,831	1,712	1,569
Auditor's remuneration	854	717	728
Others	12,501	15,206	5,907
Listing related expenses	—	—	15,017
Provision for regulatory matters (Note 48)	—	—	15,000
	96,483	123,797	147,124

15 Impairment losses

	For the years ended 31 December		
	2014	2015	2016
Impairment losses on:			
Loans and advances (Note 25)	270,970	12,037	18,197
Accounts receivable from corporate finance and underwriting (Note 26)	5,580	12,345	20,094
Margin loans to customers (Note 28)	—	—	8,260
	276,550	24,382	46,551

An impairment loss of HK$270,970 thousand was incurred in 2014 due to a syndicated loan made to a Hong Kong listed company has been defaulted. Shares of the said company has suspended trading on The Hong Kong Stock Exchange since 25 March 2014. No amount is recovered up to the date of this report.

16 Income tax expense

	For the years ended 31 December		
	2014	2015	2016
Current tax:			
Hong Kong Profit Tax	45,530	78,379	39,064
PRC Enterprise Income Tax	739	4,085	10,669
Under provision in prior years	—	—	2,410
Total current tax	46,269	82,464	52,143
Deferred tax (Note 38):			
(Reversal)/addition from temporary difference	(650)	(72)	420
Income tax expense recognised in profit or loss	45,619	82,392	52,563

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the years. Taxation on overseas profits has been calculated on the estimated assessable profit for the years at the rates of taxation prevailing in the countries in which the Group operates.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

16 Income tax expense — continued

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the People's Republic of China's entities is 25% from 1 January 2008 onwards.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	For the years ended 31 December		
	2014	2015	2016
Profit before taxation	69,296	433,211	403,515
Tax at the income tax rate of 16.5%	11,434	71,480	66,580
Tax effect of expenses not deductible for tax purpose	6,898	7,249	5,664
Tax effect of income not taxable for tax purpose	(13,610)	(7,531)	(8,838)
Tax effect of tax losses not recognised	44,216	11,611	1,046
Utilisation of tax losses not previously recognised	(5,478)	(1,084)	(18,406)
Under provision in prior years	—	—	2,410
Effect of different tax rates of subsidiaries operating in the PRC	2,159	78	3,591
Others	—	589	516
Tax charge for the year	45,619	82,392	52,563

17 Earnings per share and dividend

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the years ended 31 December		
	2014	2015	2016
Profit attributable to shareholders of the Company	23,677	350,238	350,609
Weighted average number of ordinary shares in issue (in '000 shares)	2,000,000	2,000,000	2,000,000
Earnings per share (in HKD per share)	0.01	0.18	0.18

(b) Diluted

For the years ended 31 December 2014, 2015 and 2016, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

(c) Dividend

No dividend distribution was made for the years ended 31 December 2014, 2015 and 2016.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

18 Property and equipment

The Group

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Total
Cost					
At 1 January 2014	33,426	3,114	6,521	52,200	95,261
Additions	82	47	—	4,714	4,843
Disposals	(5,401)	—	—	(3,075)	(8,476)
Exchange adjustments	(228)	(30)	(42)	(67)	(367)
At 31 December 2014 and 1 January 2015	27,879	3,131	6,479	53,772	91,261
Additions	—	339	—	8,487	8,826
Exchange adjustments	243	15	11	232	501
At 31 December 2015 and 1 January 2016	28,122	3,485	6,490	62,491	100,588
Additions	5,154	231	—	8,792	14,177
Disposals	—	—	—	(3,464)	(3,464)
Exchange adjustments	1	—	—	—	1
At 31 December 2016	33,277	3,716	6,490	67,819	111,302
Accumulated depreciation					
At 1 January 2014	25,649	2,420	6,027	39,784	73,880
Charge for the year	2,652	353	390	5,321	8,716
Disposals	(5,380)	—	—	(3,051)	(8,431)
Exchange differences	(115)	(19)	(35)	(38)	(207)
At 31 December 2014 and 1 January 2015	22,806	2,754	6,382	42,016	73,958
Charge for the year	2,601	388	388	6,822	10,199
Exchange differences	1,157	(72)	(419)	(165)	501
At 31 December 2015 and 1 January 2016	26,564	3,070	6,351	48,673	84,658
Charge for the year	2,398	104	65	7,756	10,323
Disposals	—	—	—	(3,464)	(3,464)
Exchange differences	1	—	—	—	1
At 31 December 2016	28,963	3,174	6,416	52,965	91,518
Carrying values					
At 31 December 2014	5,073	377	97	11,756	17,303
At 31 December 2015	1,558	415	139	13,818	15,930
At 31 December 2016	4,314	542	74	14,854	19,784

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

18 Property and equipment — continued

The Company

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Total
Cost					
At 1 January 2014	27,721	2,625	6,177	51,137	87,660
Additions	—	28	—	4,658	4,686
Disposals	(5,400)	—	—	(3,075)	(8,475)
Exchange adjustments	(87)	(22)	(33)	(39)	(181)
At 31 December 2014	22,234	2,631	6,144	52,681	83,690
Additions	—	339	—	8,487	8,826
At 31 December 2015	22,234	2,970	6,144	61,168	92,516
Additions	1,089	184	—	8,703	9,976
Disposals	—	—	—	(3,464)	(3,464)
At 31 December 2016	23,323	3,154	6,144	66,407	99,028
Accumulated depreciation					
At 1 January 2014	24,496	2,131	5,538	39,140	71,305
Charge for the year	1,460	252	320	5,055	7,087
Disposals	(5,380)	—	—	(3,051)	(8,431)
Exchange differences	(52)	(15)	(34)	(25)	(126)
At 31 December 2014	20,524	2,368	5,824	41,119	69,835
Charge for the year	1,423	292	320	6,561	8,596
At 31 December 2015	21,947	2,660	6,144	47,680	78,431
Charge for the year	423	122	—	7,386	7,931
Disposals	—	—	—	(3,464)	(3,464)
At 31 December 2016	22,370	2,782	6,144	51,602	82,898
Carrying values					
At 31 December 2014	1,710	263	320	11,562	13,855
At 31 December 2015	287	310	—	13,488	14,085
At 31 December 2016	953	372	—	14,805	16,130

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

19 Intangible assets

The Group holds four trading rights of The Stock Exchange of Hong Kong Limited (the "SEHK").

	31 December		
	2014	2015	2016
Trading rights of the SEHK	3,196	3,196	3,196

The above intangible assets are considered by the directors as having an indefinite useful life because the trading rights of the SEHK are expected to contribute to net cash inflows indefinitely. The intangible assets will not be amortised until their useful lives are determined to be finite. Instead, the intangible assets will be tested for impairment annually.

For the purpose of impairment testing on the intangible assets held by the Group, the recoverable amounts have been determined based on fair values less costs of disposal. For the years ended 31 December 2014, 2015 and 2016, no impairment loss for intangible assets was recognised, and there were no additions nor disposals of intangible assets.

20 Investment in subsidiaries

The Company

	31 December		
	2014	2015	2016
Investments, at cost:			
Unlisted shares	1,252,026	1,195,059	1,240,059
Less: allowance for impairment losses	—	—	—
	1,252,026	1,195,059	1,240,059

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

20 Investment in subsidiaries — continued

The Company

As at 31 December 2014, 2015 and 2016, the Company had direct or indirect interests in the following principal subsidiaries:

Name of subsidiaries	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Company 31 December 2014	2015	2016	Directly held/ indirectly held	Statutory Auditor
BOCOM International (Asia) Ltd.	18 May 2007	Hong Kong, Limited Liability Company	Corporate finance	HKD10,000,000	100%	100%	100%	Directly	(i), (vi)
BOCOM International Securities Ltd.	18 May 2007	Hong Kong, Limited Liability Company	Dealing in securities and futures	HKD1,000,000,000	100%	100%	100%	Directly	(i), (vi)
BOCOM International Asset Management Ltd.	18 May 2007	Hong Kong, Limited Liability Company	Asset management	2014: HKD5,000,000 2015: HKD5,000,000 2016: HKD50,000,000	100%	100%	100%	Directly	(i), (vi)
BOCOM International (Shanghai) Equity Investment Management Co., Ltd.* 交銀國際 (上海) 股權投資管理有限公司	25 October 2010	Shanghai, Limited Liability Company	Investment management and advisory service	2014: USD10,000,000 2015: USD20,000,000 2016: USD20,000,000	100%	100%	100%	Directly	(ii), (vii)
BOCOM International China Fund G.P.	22 January 2010	Cayman Islands, General Partnership	Investment management	USD1	100%	100%	100%	Directly	(iii)
BOCOM International Dragon Core Growth Fund	27 October 2010	Hong Kong, Investment fund of unit trust	Investment trading	2014: HKD68,332,655 2015: HKD215,275,022 2016: HKD187,015,518	55.33%	14.51%	14.63%	Directly	(i), (vi)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

20 Investment in subsidiaries — continued

The Company — continued

Name of subsidiaries	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Company 31 December 2014	2015	2016	Directly held/ indirectly held	Statutory Auditor
Global Strategic Emerging Markets Bond Fund	4 February 2013	Hong Kong, Investment fund of unit trust	Investment trading	2014: USD13,021,293 2015: USD43,943,920 2016: USD45,658,037	94.37%	—	—	Directly	(i), (vi)
BOCOM International China Dynamic Fund	4 July 2014	Hong Kong, Investment fund of unit trust	Investment trading	2014: RMB57,470,956 2015: RMB47,886,205 2016: RMB39,739,570	50.15%	56.25%	58.25%	Directly	(i), (vi)
Shanghai Bole Investment Co., Ltd* 上海博樂投資有限公司	6 April 2011	Shanghai, Limited Liability Company	Investment trading	RMB5,000,000	100%	100%	100%	Indirectly	(ii), (vii)
BOCOM International (Shanghai) Equity Investment Fund I L.P.* 交銀國際一期 (上海) 股權投資基金合夥企業 (有限合夥)	8 December 2011	Shanghai, Limited Partnership	Investment trading	RMB78,325,000	93.64%	93.64%	93.64%	Indirectly	(ii), (vii)
Shanghai Boli Investment Co., Ltd* 上海博禮投資有限公司	22 October 2014	Shanghai, Limited Liability Company	Investment trading	RMB1,000	—	100%	100%	Indirectly	(ii), (vii)
Preferred Investment Management Limited	31 March 2015	British Virgin Islands, Limited Liability Company	Investment management	USD100	—	100%	100%	Indirectly	(iii)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

20 Investment in subsidiaries — continued

The Company — continued

Name of subsidiaries	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Company 31 December 2014	2015	2016	Directly held/ indirectly held	Statutory Auditor
BOCOM International Futures Limited	15 January 2016	Hong Kong, Limited Liability Company	Dealing in futures	HKD5,000,000	—	—	—	Indirectly	(iv)
BOCOM International Equity Investment Management (Shenzhen) Company Limited* 交銀國際股權投資管理 (深圳) 有限公司	3 February 2016	Shenzhen, Limited Liability Company	Investment management	—**	—	—	—	Indirectly	(iv)
BOCOM International Global Fund SPC	17 March 2015	Cayman Islands, Limited Liability Company	Investment	USD1	—	100%	100%	Indirectly	(iii)
BOCOM International Global Investment 2 Limited	13 May 2015	British Virgin Islands, Limited Liability Company	Investment	USD1	—	100%	100%	Indirectly	(iii)
BOCOM International Global Investment 3 Limited	13 May 2015	British Virgin Islands, Limited Liability Company	Investment	USD1	—	100%	100%	Indirectly	(iii)
BOCOM International Prosperity Investment Limited	10 July 2015	British Virgin Islands, Limited Liability Company	Investment	USD1	—	100%	100%	Indirectly	(iii)

(i) The statutory financial statements of these subsidiaries for the years ended 31 December 2014 and 2015 were audited by PricewaterhouseCoopers.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

20 Investment in subsidiaries — continued

The Company — continued

(ii) The statutory financial statements of these subsidiaries for the years ended 31 December 2014 and 2015 were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合夥)).

(iii) No audited financial statements were issued for these subsidiaries as they are not required to issue financial statements under the statutory requirements of their place of incorporation.

(iv) No audited financial statements were issued for the subsidiary as it was incorporated during the year 2016.

(v) The statutory financial statements of these subsidiaries for the year ended 31 December 2016 had not been issued as of reporting date.

(vi) The statutory financial statements of these subsidiaries for the year ended 31 December 2016 were audited by PricewaterhouseCoopers.

(vii) The statutory financial statements of these subsidiaries for the year ended 31 December 2016 were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合夥)).

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

** As at 31 December 2016, the entity had issued USD1,000,000 of capital but the capital is not yet paid by the Company.

All the subsidiaries have adopted 31 December as their financial year end date for statutory reporting purpose.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

20 Investment in subsidiaries — continued

BOCOM International China Dynamic Fund ("the Fund")

On 15 August 2014, the Group and the Company acquired 30.92% of the Fund and obtained control of the Fund considering its size of voting rights relative to the size and dispersion of other shareholders' voting right. Subsequently, the Group and the Company increased its percentage of interest up to 50.8% as of 31 December 2014.

BOCOM International (Shanghai) Equity Investment Fund I L.P.

On 9 December 2014, Shanghai Bole Investment Co., Ltd (上海博樂投資有限公司) acquired 92.48% of BOCOM International (Shanghai) Equity Investment Fund I L.P. (交銀國際一期(上海)股權投資基金合夥企業(有限合夥)). The shareholding of the Group increased from 1.16% to 93.64%.

Global Strategic Emerging Markets Bond Fund ("GSEM")

On 30 June 2015, the Group disposed all 94.37% of GSEM for a consideration of HK$96,134 thousand. As a result, a gain on disposal of HK$1,389 thousand was recognised.

BOCOM International Dragon Core Growth Fund ("IDCG")

On 30 June 2015, the Group's and the Company's equity interests in IDCG has been diluted subsequent to the issuance of new ordinary shares. The shareholdings of the Group and the Company decreased from 55.34% to 8.76%. The Group and the Company lost control over IDCG and the dilution resulted in a deemed disposal of the subsidiaries. As a result, a gain on disposal of HK$3,740 thousand was recognised for the deemed disposal. Investment in IDCG was classified as financial assets at fair value through profit or loss on 30 June 2015.

Shanghai Boli Investment Co., Ltd

On 16 March 2015, the Group acquired 100% equity interest of Shanghai Boli Investment Co., Ltd (上海博禮投資有限公司).

21 Interest in associates

The amounts recognised in the statement of financial position are as follows:

The Group

	31 December		
	2014	2015	2016
Unlisted investment at the beginning of the year	39,387	113,262	99,331
Accumulated (profit)/loss after acquisition	(11,001)	(4,377)	6,042
Contribution for the year	—	1	—
Increase in investment due to asset acquisition (Note 42)	108,339	—	—
Distribution for the year	(34,464)	(13,932)	(12,562)
Share of profit for the year	6,624	10,419	9,905
Interest in associates	108,885	105,373	102,716

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

The Group — continued

Set out below are the associates of the Group as at 31 December 2014, 2015 and 2016 which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Group; the country of incorporation or registration is also their principal place of business.

						Equity interest held by the Group				
						31 December				
Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Measurement method	Issued and fully paid-up capital	2014	2015	2016	Directly held/ Indirectly held	Statutory auditor
BOCOM International China Fund L.P.	22 January 2010	Cayman Islands, Limited Partnership	Private equity investment	Equity	(iv)	24.39%	24.39%	24.39%	Indirectly	(i)
ChinaStar Limited for International Economic & Technical Cooperation* 中國四達國際經濟技術合作有限公司	24 December 2010	Beijing, Limited Liability Company	Human Resource Consulting	Equity	RMB113,518,400	37.46%	37.46%	37.46%	Indirectly	(ii)
BOCOM Culture (Shanghai) Equity Investment L.P. ("Culture Fund")* 交銀文化 (上海) 股權投資基金合夥企業 (有限合夥)	28 October 2014	Shanghai, Limited Partnership	Private equity investment	Equity	RMB1,030,000,000	—	0.0001%	0.0001%	Indirectly	(iii)

* The English translation of the names is for reference only. The official names of these entities are in Chinese

(i) The statutory financial statement of this associate for the year ended 31 December 2014 was audited by PricewaterhouseCoopers. No audited financial statements for the year ended 31 December 2015 and 2016 was issued for this associate as it is not required to issue financial statements under the statutory requirements of its place of incorporation.

(ii) The statutory financial statements of this associate for the years ended 31 December 2014, 2015 and 2016 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所 (特殊普通合夥)).

(iii) The statutory financial statements of this associate for the years ended 31 December 2014, 2015 and 2016 were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合夥)).

(iv) The associate is an exempted limited partnership that does not have an authorised share capital.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

The Group — continued

Since April 2012 BOCOM International (Shanghai) Equity Investment Fund I L.P. (交銀國際一期(上海)股權投資基金合夥企業(有限合夥)) had significant influence over ChinaStar Limited for International Economic & Technical Cooperation. On 9 December 2014, the Group obtain control of BOCOM International (Shanghai) Equity Investment Fund I L.P. Therefore, on the same date, ChinaStar Limited for International Economic & Technical Cooperation become an associate of the Group.

In March 2015 Culture Fund became an associate of the Group and accounted for using the equity method. According to the partnership agreement, Shanghai Boli Investment Co., Ltd (上海博禮投資有限公司), a subsidiary of the Group was appointed as executive partner of Culture Fund. Hence, Shanghai Boli Investment Co., Ltd has significant influence over the decision-making process of Culture Fund.

Set out below are the summarised Financial Information for the associates of the Group which are accounted for using the equity method:

(i) BOCOM International China Fund L.P.

	31 December		
	2014	2015	2016
Current			
Cash and cash equivalents	157,616	26,760	7,901
Other current assets (excluding cash)	3	31	—
Total current assets	157,619	26,791	7,901
Financial liabilities (excluding accounts payables)	—	—	—
Other current liabilities (including accounts payables)	156,568	26,791	7,901
Total current liabilities	156,568	26,791	7,901
Non-current			
Total non-current assets	—	—	—
Financial liabilities	—	—	—
Other liabilities	—	—	—
Total non-current liabilities	—	—	—
Net assets	1,051	—	—
Net assets attributable to shareholders	1,051	—	—
Reconciled to the Group's interests in the associate:			
Group's effective interest	24.39%	24.39%	24.39%
Group's share of net assets of associates	256	—	—
Carrying amount in the Financial Information	256	—	—

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

(i) BOCOM International China Fund L.P. — continued

	For the years ended 31 December		
	2014	2015	2016
Revenue	107	—	—
Investment gains	47,776	—	18,244
Depreciation	—	—	—
Interest income	54	3	3
Interest expense	—	—	—
Profit/(loss) before taxation	23,670	(877)	17,802
Income tax expense	—	—	—
Profit/(loss) after taxation	23,670	(877)	17,802
Other comprehensive income	—	—	—
Total comprehensive income/(loss)	23,670	(877)	17,802
Dividends received from associate	34,464	256	4,342
Reconciled to the Group's share of results of associates:			
Group's effective interest	24.39%	24.39%	24.39%
Group's share of profit after taxation of associates for the year	5,773	—*	4,342
Group's share of other comprehensive income of associates for the year	—	—	—

* When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

(ii) ChinaStar Limited for International Economic & Technical Cooperation

	31 December		
	2014	2015	2016
Current			
Cash and cash equivalents	318,030	323,238	240,836
Other current assets (excluding cash)	144,344	168,307	169,793
Total current assets	462,374	491,545	410,629
Financial liabilities (excluding accounts payables)	47,224	54,113	155,116
Other current liabilities (including accounts payables)	294,452	325,866	146,378
Total current liabilities	341,676	379,979	301,494
Non-current			
Total non-current assets	70,215	67,562	62,956
Financial liabilities	—	—	—
Other liabilities	7,567	3,958	3,529
Total non-current liabilities	7,567	3,958	3,529
Net assets	183,346	175,170	168,562
Net assets attributable to shareholders	182,784	174,643	168,000
Reconciled to the Group's interests in the associate:			
Group's effective interest	37.46%	37.46%	37.46%
Group's share of net assets of associates	108,629	105,372	102,715
Carrying amount in the Financial Information	108,629	105,372	102,715

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

(ii) ChinaStar Limited for International Economic & Technical Cooperation — continued

	For the years ended 31 December		
	2014	2015	2016
Revenue	170,897	187,006	165,844
Investment gains	1,268	2,213	—
Depreciation	(4,699)	(5,243)	(5,934)
Interest income	3,461	3,484	2,592
Interest expense	(575)	(362)	(90)
Profit before taxation	37,047	37,145	20,958
Income tax expense	(11,548)	(11,097)	(7,050)
Profit after taxation	25,499	26,048	13,908
Other comprehensive income	—	—	—
Total comprehensive income	25,499	26,048	13,908
Dividends received from associate	—	13,676	8,220
Reconciled to the Group's share of results of associates:			
Group's effective interest	37.46%	37.46%	37.46%
Group's share of profit after taxation of associates for the year	851	10,419	5,563
Group's share of other comprehensive income of associates for the year	—	—	—

(iii) BOCOM Culture (Shanghai) Equity Investment L.P. ("Culture Fund")

	31 December		
	2014	2015	2016
Current			
Cash and cash equivalents	—	475	100
Other current assets (excluding cash)	—	26,964	14,424
Total current assets	—	27,439	14,524
Financial liabilities (excluding accounts payables)	—	444	638
Other current liabilities (including accounts payables)	—	—	—
Total current liabilities	—	444	638
Non-current			
Total non-current assets	—	1,214,129	796,999
Financial liabilities	—	—	—
Other liabilities	—	—	—
Total non-current liabilities	—	—	—
Net assets	—	1,241,124	810,885
Net assets attributable to shareholders	—	1,241,124	810,885
Reconciled to the Group's interests in the associate:			
Group's effective interest	—	0.0001%	0.0001%
Group's share of net assets of associates	—	1	1
Carrying amount in the Financial Information	—	1	1

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

(iii) BOCOM Culture (Shanghai) Equity Investment L.P. ("Culture Fund") — continued

	For the years ended 31 December		
	2014	2015	2016
Revenue	—	—	—
Investment gains	—	64	71
Depreciation	—	—	—
Interest income	—	58	—
Loss before taxation	—	(8,172)	(11,660)
Income tax expense	—	—	—
Loss after taxation	—	(8,172)	(11,660)
Other comprehensive income/(loss)	—	41,929	(351,980)
Total comprehensive income/(loss)	—	33,757	(363,640)
Dividends received from associate	—	—	—
Reconciled to the Group's share of results of associates:			
Group's effective interest	—	0.0001%	0.0001%
Group's share of profit after taxation of associates for the year	—	—	—
Group's share of other comprehensive income of associates for the year	—	—	—

Total

	31 December		
	2014	2015	2016
Current			
Cash and cash equivalents	475,646	350,473	248,837
Other current assets (excluding cash)	144,347	195,302	184,217
Total current assets	619,993	545,775	433,054
Financial liabilities (excluding accounts payables)	47,224	54,557	155,754
Other current liabilities (including accounts payables)	451,020	352,657	154,279
Total current liabilities	498,244	407,214	310,033
Non-current			
Total non-current assets	70,215	1,281,691	859,955
Financial liabilities	—	—	—
Other liabilities	7,567	3,958	3,529
Total non-current liabilities	7,567	3,958	3,529
Net assets	184,397	1,416,294	979,447
Net assets attributable to shareholders	183,835	1,415,767	978,885
Group's share of net assets of associates	108,885	105,373	102,716

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

21 Interest in associates — continued

Total — continued

	For the years ended 31 December		
	2014	2015	2016
Revenue	171,004	187,006	165,844
Investment gains	49,044	2,277	18,315
Depreciation	(4,699)	(5,243)	(5,934)
Interest income	3,515	3,545	2,595
Interest expense	(575)	(362)	(90)
Profit before taxation	60,717	28,096	27,100
Income tax expense	(11,548)	(11,097)	(7,050)
Profit after taxation	49,169	16,999	20,050
Other comprehensive income/(loss)	—	41,929	(351,980)
Total comprehensive income/(loss)	49,169	58,928	(331,930)
Dividends received from associate	34,464	13,932	12,562
Group's share of profit after taxation of associates for the year	6,624	10,419	9,905
Group's share of other comprehensive income of associates for the year	—	—	—

22 Interest in a joint venture

The Group

	31 December		
	2014	2015	2016
Balance at beginning of year	1,366	—	—
Addition	—	—	1,769
Share of loss for the year	—	—	—
Other comprehensive income	—	—	—
Disposal	(1,366)	—	—
Balance at end of year	—	—	1,769

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

22 Interest in a joint venture — continued

The Group — continued

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Measurement method	Issued and fully paid-up capital	Equity interest held by the Group 31 December 2014	2015	2016	Directly held/ Indirectly held	Statutory auditor
Chongyuan Equity Investment Management Co., Ltd.* 重元股權投資基金管理有限公司	30 September 2011	Suzhou, Limited Liability	Investment management and consultancy services	Equity	RMB10,000,000	—	—	—	Indirectly	N/A
BOCOM NORINCO (Zhuhai) Equity Investment Management Co., Ltd* 交銀中兵 (珠海) 股權投資管理有限公司	21 September 2016	Zhuhai, Limited Liability	Investment management and consultancy services	Equity	RMB3,000,000	—	—	51%	Indirectly	(i)

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

(i) The statutory financial statement of the joint venture for the year ended 31 December 2016 was audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合夥)).

The Group has disposed its 50% interest of Chongyuan Equity Investment Management Co., Ltd on 27 May 2014 to a subsidiary of the joint venture partner with a consideration of HK$9,001 thousand (RMB7,250 thousand), resulting in a gain on disposal of HK$7,635 thousand.

BOCOM NORINCO (Zhuhai) Equity Investment Management Co., Ltd is private company and there is no quoted market price available for its shares.

The Group acquired 51% interest of BOCOM NORINCO (Zhuhai) Equity Investment Management Co., Ltd with a consideration of HK$1,769 thousand (RMB1,530 thousand) on 30 September 2016. The Group takes one out of three seats in the board of directors. Passing of any board resolution requires unanimous consent of all members of board of directors. In this regard, the Group classifies this investment as a joint venture.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

22 Interest in a joint venture — continued

Summarised Financial Information

	31 December		
	2014	2015	2016
Net assets at beginning of year	2,732	—	—
Addition	—	—	3,469
Disposal	(2,732)	—	—
Loss for the year	—	—	—
Net assets at end of year	—	—	3,469
Interest in joint venture	—	—	1,769
Goodwill	—	—	—
Carrying value	—	—	1,769

Set out below is the summarised Financial Information for the joint venture which is accounted for using the equity method:

BOCOM NORINCO (Zhuhai) Equity Investment Management Co., Ltd

	31 December		
	2014	2015	2016
Current			
Cash and cash equivalents	—	—	3,471
Other current assets (excluding cash)	—	—	—
Total current assets	—	—	3,471
Financial liabilities (excluding accounts payables)	—	—	—
Other current liabilities (including accounts payables)	—	—	2
Total current liabilities	—	—	2
Non-current			
Total non-current assets	—	—	—
Financial liabilities	—	—	—
Other liabilities	—	—	—
Total non-current liabilities	—	—	—
Net assets	—	—	3,469
Group's share of net assets of joint venture	—	—	1,769

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

22 Interest in a joint venture — continued

BOCOM NORINCO (Zhuhai) Equity Investment Management Co., Ltd — continued

	For the year ended 31 December		
	2014	2015	2016
Revenue	—	—	2
Interest income	—	—	—
Operating expenses	—	—	(2)
Investment loss	—	—	—
Loss before taxation	—	—	—
Income tax income	—	—	—
Loss after taxation	—	—	—
Group's share of loss	—	—	—
Dividends received from joint venture	—	—	—

23 Other assets

The Group

	31 December		
	2014	2015	2016
Central Clearing and Settlement System — Guarantee Fund	14,772	26,194	16,997
Contribution in cash to Compensation Fund of SEHK	150	150	150
Contribution in cash to the Fidelity fund of SEHK	150	150	150
Reserve fund deposits with the Hong Kong Futures Exchange ("HKFE") Clearing Corporation Limited	4,927	1,692	4,173
Reserve fund deposits with the SEHK Options Clearing House Limited ("SEOCH")	6,708	5,540	6,607
Admission fee paid to the Hong Kong Securities Clearing Company Limited	150	150	150
Stamp duty deposit	500	500	500
	27,357	34,376	28,727

24 Loan to a subsidiary and subordinated loans to subsidiaries

The Company

Loan to a subsidiary is unsecured and bear floating interest at annual rate of 5% accrued on a monthly basis.

Subordinated loans to subsidiaries are unsecured and bear floating interest accrued on a monthly basis.

	31 December		
	2014	2015	2016
Interest rate of subordinated loans*	HIBOR plus 1%	HIBOR plus 1% and LIBOR plus 2.1%	HIBOR plus 1%, HIBOR plus 2% and LIBOR plus 2.1%

* Hong Kong Interbank Offered Rate ("HIBOR")
London Interbank Offered Rate ("LIBOR")

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

24 Loan to a subsidiary and subordinated loans to subsidiaries — continued

The Company — continued

As at 31 December 2016, the Company can demand for repayment of HK$200,000 thousand after 5 August 2017, HK$131,614 thousand after 13 December 2017 and HK$200,000 thousand after 28 September 2018 upon SFC written consent.

25 Loans and advances

The Group and the Company

	31 December		
	2014	2015	2016
Gross loans and advances	391,026	391,026	270,970
Less:			
Loan impairment allowances			
— individually assessed	(352,234)	(364,271)	(270,970)
Net loan balance	38,792	26,755	—

Loan impairment allowances

	31 December		
	2014	2015	2016
At 1 January	81,264	352,234	364,271
Impairment allowances charged during the year (Note 15)	270,970	12,037	18,197
Loans and advances written off during the year as uncollectible	—	—	(111,498)
At year end	352,234	364,271	270,970

The maximum exposure to credit risk at the reporting date is the carrying value of loans and advances above.

Loans and advances are unsecured, repayable according to the terms set out in the respective loan agreements. The interest rates are 5% to 9%.

26 Accounts receivable

The Group

	31 December		
	2014	2015	2016
Corporate finance and underwriting business	29,620	100,943	158,398
Less: impairment losses (Note 15)	(5,580)	(12,345)	(20,094)
	24,040	88,598	138,304
Dealing in securities and futures business:			
— Clients	391,732	864,895	223,435
— Brokers	80,464	119,365	86,155
— Clearing house	383,315	85,740	137,132
	855,511	1,070,000	446,722
	879,551	1,158,598	585,026

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

26 Accounts receivable — continued

The Company

	31 December		
	2014	2015	2016
Dealing in securities and futures business:			
— Brokers	18	18	19

Clients receivables from securities dealing are receivable on the settlement dates of their respective transactions, normally two or three business days after the respective trade dates.

The receivables from clients are interest bearing with interest rate of prime rate of Bank of Communications Hong Kong Branch plus 5% for the years ended 31 December 2014, 2015 and 2016.

The Group

	31 December		
	2014	2015	2016
Total market value of securities pledged as collateral in respect of the overdue accounts receivable — clients	321,229	1,115,778	227,440

The receivables from brokers are neither past due nor impaired. Brokers receivables are repayable on the settlement dates of their respective trade dates, normally two or three business days after the respective trade dates.

Clearing house receivables are repayable on the settlement dates of the respective trade dates, normally two or three business days after the respective trade dates.

For the receivables from corporate finance and underwriting business, the Group has policies for allowance for bad and doubtful debts which are based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgement, including the current credit worthiness and the past collection history of each client. Settlement is done based on the completion of each phase of the project.

27 Other receivables and prepayments

The Group

	31 December		
	2014	2015	2016
Other receivables	50,150	50,705	66,395
Prepayments	8,003	9,655	8,809
	58,153	60,360	75,204

The Company

	31 December		
	2014	2015	2016
Other receivables	36,396	38,716	51,856
Prepayments	4,441	6,357	5,221
	40,837	45,073	57,077

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

28 Margin loans to customers

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading and are repayable on demand. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group.

Margin loans are interest bearing with standard interest rate of prime rate to prime rate plus 3% for the years ended 31 December 2014, 2015, and 2016.

The Group

	31 December		
	2014	2015	2016
Gross margin loans to customers	4,548,132	4,913,279	5,131,520
Less:			
Impairment allowances			
— individually assessed	—	—	(8,260)
Net margin loans to customers	4,548,132	4,913,279	5,123,260

Impairment allowances

	31 December		
	2014	2015	2016
At 1 January	—	—	—
Impairment allowances charged during the year (Note 15)	—	—	8,260
At year end	—	—	8,260

Margin loans to customers analysed by nature

The Group

	31 December		
	2014	2015	2016
Institutions	1,449,597	2,380,369	3,081,558
Individuals	3,098,535	2,532,910	2,041,702
Total	4,548,132	4,913,279	5,123,260

Total market value of securities pledged as collateral in respect of margin loans to customers analysed by collateral

The Group

	31 December		
	2014	2015	2016
Stocks	20,252,759	13,938,442	16,926,275
Debt securities	13,073	6,876	6,463
	20,265,832	13,945,318	16,932,738

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

28 Margin loans to customers — continued

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin loan business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

29 Amount(s) due from/(to) the ultimate holding company/subsidiaries/a fellow subsidiary/an associate/related parties

The Group and the Company

The amounts are unsecured, interest-free and repayable on demand.

30 Held-to-maturity investments

The debt securities held by the Group and the Company bear coupon rates from 4.625% to 13.50% per annum and with maturity ranging from 2017 to 2023. The values are measured at amortised cost.

The Group and the Company

	31 December		
	2014	2015	2016
Held-to-maturity investments	—	902,892	—
Listed in Hong Kong	—	336,261	—
Listed outside Hong Kong	—	466,631	—
Unlisted	—	100,000	—
	—	902,892	—

The movement in held-to-maturity investments is summarised as follows:

The Group and the Company

	31 December		
	2014	2015	2016
Balance			
Balance at beginning of year	—	—	902,892
Additions	—	901,234	5,797
Disposals	—	—	(25,079)
Amortisation movement	—	1,658	2,818
Transfer to available-for-sale investments	—	—	(888,299)
Exchange difference	—	—	1,871
Balance at end of year	—	902,892	—
Reclassification of held-to-maturity investments			
Fair value of debts on disposal date	—	—	925,081
Balance of debts on disposal date	—	—	888,299
Gain from transfer of held-to-maturity investments to available-for-sale investments	—	—	36,782
Fair value of debts with quoted market prices	—	1,024,139	—

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

30 Held-to-maturity investments — continued

The Group and the Company — continued

There were no held-to-maturity investments pledged to a bank to secure loan or overdraft facilities.

As at 1 June 2016, the management changed their intention and investment strategy over the held-to-maturity investments and partially disposed the investments through market sales. As a result, all the remaining unsold held-to-maturity investments with carrying value of HK$888,299 thousand are reclassified to available-for-sale investments. Available-for-sale investments are measured at fair value and therefore the difference between their carrying value and fair value as at reclassification date, amounting to HK$36,782 thousand was recognised in other comprehensive income for the year ended 31 December 2016.

31 Available-for-sale investments

The Group

	31 December		
	2014	2015	2016
Equity securities	114,200	80,250	31,570
Debt securities	—	102,159	1,624,358
Preference shares	—	428,637	1,381,322
Unlisted fund	—	—	39,537
Unlisted equity	3,110	2,931	53,902
Club debentures	2,118	2,055	1,952
	119,428	616,032	3,132,641

The Company

	31 December		
	2014	2015	2016
Equity securities	114,200	80,250	31,570
Debt securities	—	102,159	1,624,358
Preference shares	—	—	953,336
Unlisted fund	—	—	39,537
Unlisted equity	—	—	51,129
Club debentures	2,118	2,055	1,952
	116,318	184,464	2,701,882

As at 1 June 2016, the management changed their intention and investment strategy over the held-to-maturity investments and partially disposed the investments through market sales. As a result, all the remaining unsold held-to-maturity investments with carrying value of HK$888,299 thousand are reclassified to available-for-sale investments. Available-for-sale investments are measured at fair value and therefore the difference between their carrying value and fair value as at reclassification date, amounting to HK$36,782 thousand was recognised in other comprehensive income for the year ended 31 December 2016.

As at 31 December 2016, the preference shares with market value of HK$427,986 thousand have been pledged to a bank to secure a loan for Preferred Investment Management Limited, a subsidiary of the Company.

There were no other available-for-sale investments being pledged to a bank to secure loan or overdraft facilities.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

31 Available-for-sale investments — continued

(a) Equity securities

The Group and the Company

	31 December		
	2014	2015	2016
Listed in Hong Kong	114,200	80,250	31,570

(b) Debt securities

The Group and the Company

	31 December		
	2014	2015	2016
Listed in Hong Kong	—	102,159	1,004,790
Listed outside Hong Kong	—	—	519,568
Unlisted	—	—	100,000
	—	102,159	1,624,358

(c) Preference shares

The Group

	31 December		
	2014	2015	2016
Listed in Hong Kong	—	428,637	1,303,902
Unlisted	—	—	77,420
	—	428,637	1,381,322

The Company

	31 December		
	2014	2015	2016
Listed in Hong Kong	—	—	875,916
Unlisted	—	—	77,420
	—	—	953,336

(d) Unlisted fund

The Group and the Company

	Fair value at 31 December		
	2014	2015	2016
Great Wall Property Investment Fund Limited Partnership	—	—	39,537

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

31 Available-for-sale investments — continued

(e) Unlisted equity and club debentures

The Group

	Fair value at 31 December		
	2014	2015	2016
Club debentures	2,118	2,055	1,952
Shanghai Chengdingchuangtuo Investment Fund Co., Ltd* 上海誠鼎創拓股權投資基金有限公司	3,110	2,931	2,773
BOCOM International Global Investment Limited (REITS 003)	—	—	51,129
Total	5,228	4,986	55,854

* The English translation of the names is for reference only. The official name of the entity is in Chinese.

The Company

	Fair value at 31 December		
	2014	2015	2016
Club debentures	2,118	2,055	1,952
BOCOM International Global Investment Limited (REITS 003)	—	—	51,129
	2,118	2,055	53,081

There were no available-for-sale investments determined to be impaired during the years.

32 Financial assets/liabilities at fair value through profit or loss

The Group

	31 December		
	2014	2015	2016
Held for trading			
Financial assets at fair value through profit or loss			
Equity securities	131,931	49,429	32,137
Debt securities	104,607	4,043	400,859
Funds	—	31,236	27,352
Unlisted equity	10,746	10,128	105,672
	247,284	94,836	566,020
Designated at fair value through profit or loss			
Financial liabilities at fair value through profit or loss			
Financial liabilities to the investors of the funds consolidated	(71,003)	(24,281)	(18,446)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

32 Financial assets/liabilities at fair value through profit or loss — continued

The Company

	31 December		
	2014	2015	2016
Held for trading			
Financial assets at fair value through profit or loss			
Equity securities	16,650	—	—
Funds	—	31,236	27,352
Unlisted equity	—	—	96,088
	16,650	31,236	123,440

(a) Equity securities

The Group

	31 December		
	2014	2015	2016
Listed in Hong Kong	74,992	—	—
Listed outside Hong Kong	56,939	49,429	32,137
	131,931	49,429	32,137

The Company

	31 December		
	2014	2015	2016
Listed in Hong Kong	16,650	—	—

(b) Debt securities

The Group

	31 December		
	2014	2015	2016
Listed in Hong Kong	46,896	—	397,072
Listed outside Hong Kong	57,711	4,043	3,787
	104,607	4,043	400,859

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

32 Financial assets/liabilities at fair value through profit or loss — continued

(c) Funds

The Group and the Company

	31 December		
	2014	2015	2016
Listed in Hong Kong	—	31,236	27,352

(d) Unlisted equity

The Group

	31 December		
	2014	2015	2016
Changzhou Evergreen AVE Co., Ltd*	10,746	10,128	9,584
Assets Eagle Global Limited	—	—	96,088
	10,746	10,128	105,672

* The English translation of the names is for reference only. The official name of the entity is in Chinese.

The Company

	31 December		
	2014	2015	2016
Assets Eagle Global Limited	—	—	96,088

(e) Financial liabilities to the investors of the funds consolidated

The Group

	31 December		
	2014	2015	2016
Listed in Hong Kong	(71,003)	(24,281)	(18,446)

There were no financial assets at fair value through profit or loss pledged to a bank to secure loan or overdraft facilities.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

33 Derivative financial assets/liabilities

The Group

	31 December		
	2014	2015	2016
Derivative financial assets			
Commodity futures (i)	—	—	359
Currency futures (ii)	194	—	—
	194	—	359
Derivative financial liabilities			
Commodity futures (i)	—	—	(354)

The Company

	31 December		
	2014	2015	2016
Derivative financial assets			
Commodity futures (i)	—	—	359
Derivative financial liabilities			
Commodity futures (i)	—	—	(354)

(i) The Group's and Company's derivative financial assets and liabilities are commodity futures contracts, with a notional amount of approximately USD 4,305 thousand and USD 4,306 thousand respectively as at 31 December 2016.

(ii) The Group's derivative financial assets are currency futures contracts, with a notional amount of approximately USD 26,383 thousand as at 31 December 2014.

34 Cash and bank balances

The Group

	31 December		
	2014	2015	2016
Current and savings accounts	270,840	532,232	452,347
Time deposits with original maturity of less than three months	46,814	326,660	50,092
Cash and cash equivalents	317,654	858,892	502,439
Time deposits with original maturity of more than three months	—	800	1,615
	317,654	859,692	504,054

The Company

	31 December		
	2014	2015	2016
Current and savings accounts	60,526	292,800	55,060
Time deposits with original maturity of less than three months	—	29,305	—
Cash and cash equivalents	60,526	322,105	55,060
Time deposits with original maturity of more than three months	—	—	—
	60,526	322,105	55,060

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

34 Cash and bank balances — continued

Bank balances carry interest at market rates

The Group

	31 December		
	2014	2015	2016
Interest rates range	0.01%-0.72%	0.01%-0.7%	0.01%-0.85%

The Company

	31 December		
	2014	2015	2016
Interest rate range	0.01%	0.01%	0.01%

35 Other payables and accrued expenses

The Group

	31 December		
	2014	2015	2016
Other payables related to corporate finance business	10,848	879,446	—
Other payables	15,980	18,215	42,270
Accrued expenses	38,510	60,258	51,100
Provision for regulatory matters	—	—	15,000
	65,338	957,919	108,370

The Company

	31 December		
	2014	2015	2016
Other payables	788	407	14,355
Accrued expenses	10,443	25,807	10,165
	11,231	26,214	24,520

36 Accounts payable

The Group

Accounts payable arising from the business of dealing in securities and options are as follows:

	31 December		
	2014	2015	2016
Clients — trade settlement	552,811	222,813	80,142
Clearing house	4,352	39,469	14,341
Brokers	—	—	20,868
	557,163	262,282	115,351

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

36 Accounts payable — continued

The Group — continued

The settlement terms of accounts payable arising from client businesses are normally two to three days after trade date or at specific terms agreed with clients, brokers or clearing house.

37 Deferred revenue

The Group

	31 December		
	2014	2015	2016
Deferred revenue	—	—	14,309

Deferred revenue mainly represents payment received in advance for advisory services. They are recognised as revenue when the Group has rendered the services.

38 Deferred tax assets

The Group

The analysis of deferred tax assets is as follows:

	31 December		
	2014	2015	2016
Deferred tax assets to be recovered after more than 12 months	650	722	302

The gross movement on the deferred tax assets is as follows:

	31 December		
	2014	2015	2016
Balance at beginning of year	—	650	722
Credited/(charged) to the income statement (Note 16)	650	72	(420)
Balance at end of year	650	722	302

The Group

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provision for staff costs	Accrued expenses	Rent free	Others	Total
At 1 January 2014	—	—	—	—	—
Credited/(Charged) to the income statement	586	70	—	(6)	650
At 31 December 2014 and 1 January 2015	586	70	—	(6)	650
(Charged)/Credited to the income statement	(344)	28	450	(62)	72
At 31 December 2015 and 1 January 2016	242	98	450	(68)	722
Charged to income statement	(235)	(30)	(115)	(40)	(420)
At 31 December 2016	7	68	335	(108)	302

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

38 Deferred tax assets — continued

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

The Group

	31 December		
	2014	2015	2016
Approximate estimated unused tax losses available for offset against future profits	285,973	328,353	260,730

The Company

	31 December		
	2014	2015	2016
Approximate estimated unused tax losses available for offset against future profits	275,120	308,892	252,717

39 Share capital

The Group and the Company

	31 December		
	2014	2015	2016
Issued and fully paid:			
2,000,000,000 ordinary shares of HK$1 each	2,000,000	2,000,000	2,000,000

40 Segment information

The Group manages the business operations by the following segments in accordance with the nature of the operations and services provided:

(a) Brokerage segment provides securities trading and brokerage services.

(b) Corporate finance and underwriting segment provides corporate finance services including equity underwriting, debt underwriting, sponsor services and financial advisory services to institutional clients.

(c) Asset management and advisory segment offers traditional asset management products and services to third party clients. In addition, it also offers investment advisory services, portfolio management services and transaction execution services.

(d) Margin financing segment provides securities-backed financial leverage for both retail and institutional clients.

(e) Investment and loans segment engages in direct investment business including investments in various debt and equity securities, investment in companies and investment in loans.

(f) Others include headquarter operations such as bank interest income, and interest expense incurred for general working capital purposes.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

40 Segment information — continued

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in basis during the Relevant Periods.

Majority of the Group's revenue generated were located in Hong Kong during the Relevant Periods.

There were no clients for each of the Relevant Periods contributing over 10% of the total revenue of the Group.

Year ended 31 December 2014

	Brokerage	Corporate finance and underwriting	Asset management and advisory	Margin financing	Investment and loans	Others	Elimination	Total
Total revenue								
Commission and fee income								
— External	237,721	95,943	9,805	—	—	—	—	343,469
— Internal	—	—	10,411	—	—	—	(10,411)	—
Interest income from loans or clients								
— External	—	—	—	369,254	1,573	—	—	370,827
— Internal	—	—	—	—	2,495	—	(2,495)	—
Proprietary trading income								
— External	—	—	—	—	39,654	—	—	39,654
— Internal	—	—	—	—	—	—	—	—
Other income	12,332	—	—	—	5,441	10,197	—	27,970
	250,053	95,943	20,216	369,254	49,163	10,197	(12,906)	781,920
Total expenses	(208,445)	(70,774)	(62,289)	(119,053)	(277,760)	(1,468)	12,906	(726,883)
Share of results of associates	—	—	—	—	6,624	—	—	6,624
Share of results of a joint venture	—	—	—	—	—	—	—	—
Gain on disposal of subsidiaries	—	—	—	—	—	—	—	—
Gain on disposal of an associate	—	—	—	—	—	—	—	—
Gain on disposal of a joint venture	—	—	—	—	7,635	—	—	7,635
Profit/(loss) before taxation	41,608	25,169	(42,073)	250,201	(214,338)	8,729	—	69,296
Other disclosures								
Depreciation	(4,329)	(325)	(1,784)	(2,076)	(202)	—	—	(8,716)
Impairment	—	(5,580)	—	—	(270,970)	—	—	(276,550)
Finance cost	—	—	—	(54,521)	—	—	2,430	(52,091)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

40 Segment information — continued

Year ended 31 December 2015

	Brokerage	Corporate finance and underwriting	Asset management and advisory	Margin financing	Investment and loans	Others	Elimination	Total
Total revenue								
Commission and fee income								
— External	325,845	330,179	34,704	—	—	—	—	690,728
— Internal	—	—	8,565	—	—	—	(8,565)	—
Interest income from loans or clients								
— External	—	—	—	393,030	—	—	—	393,030
— Internal	—	—	—	—	3,286	—	(3,286)	—
Proprietary trading income								
— External	—	—	—	—	9,820	—	—	9,820
— Internal	—	—	—	—	—	—	—	—
Other income	18,751	15,432	—	—	60	12,783	—	47,026
	344,596	345,611	43,269	393,030	13,166	12,783	(11,851)	1,140,604
Total expenses	(293,709)	(171,432)	(74,030)	(155,938)	(39,683)	—	11,851	(722,941)
Share of results of associates	—	—	—	—	10,419	—	—	10,419
Gain on disposal of subsidiaries	—	—	—	—	5,129	—	—	5,129
Profit/(loss) before taxation	50,887	174,179	(30,761)	237,092	(10,969)	12,783	—	433,211
Other disclosures								
Depreciation	(4,885)	(342)	(1,820)	(3,044)	(108)	—	—	(10,199)
Impairment	—	(12,345)	—	—	(12,037)	—	—	(24,382)
Finance cost	—	—	(1,053)	(71,850)	(472)	—	3,286	(70,089)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

40 Segment information — continued

Year ended 31 December 2016

	Brokerage	Corporate finance and underwriting	Asset management and advisory	Margin financing	Investment and loans	Others	Elimination	Total
Total revenue								
Commission and fee income								
— External	140,820	216,494	129,443	—	—	—	—	486,757
— Internal	—	750	18,441	—	—	—	(19,191)	—
Interest income from loans or clients								
— External	—	—	—	331,906	34,713	—	—	366,619
— Internal	—	—	—	—	7,407	—	(7,407)	—
Proprietary trading income								
— External	—	—	—	—	169,893	—	—	169,893
— Internal	—	—	—	—	—	—	—	—
Other income	16,437	—	—	—	25	13,242	—	29,704
	157,257	217,244	147,884	331,906	212,038	13,242	(26,598)	1,052,973
Total expenses	(211,783)	(150,263)	(70,465)	(154,361)	(83,322)	(15,767)	26,598	(659,363)
Share of results of associates	—	—	—	—	9,905	—	—	9,905
(Loss)/profit before taxation	(54,526)	66,981	77,419	177,545	138,621	(2,525)	—	403,515
Other disclosures								
Depreciation	(3,600)	(198)	(2,457)	(3,996)	(72)	—	—	(10,323)
Impairment	—	(20,094)	—	(8,260)	(18,197)	—	—	(46,551)
Finance cost	—	—	(1,240)	(53,335)	(52,502)	—	7,407	(99,670)

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

41 Bank borrowing

(a) Available bank facilities and overdraft facilities

The Group

	31 December		
	2014	2015	2016
— Granted by ultimate holding company	2,820,000	4,300,000	4,296,395
— Granted by authorised institutions	2,405,060	5,889,019	8,086,947
Total available bank facilities	5,225,060	10,189,019	12,383,342

The Company

	31 December		
	2014	2015	2016
— Granted by ultimate holding company	—	—	—
— Granted by authorised institutions	1,532,260	3,864,950	3,691,940
Total available bank facilities	1,532,260	3,864,950	3,691,940

(b) Undrawn bank facilities

The Group

	31 December		
	2014	2015	2016
Floating rate			
— from ultimate holding company	1,815,560	2,758,550	2,300,000
— from other authorised institutions	1,072,800	3,675,456	4,235,327
	2,888,360	6,434,006	6,535,327

The Company

	31 December		
	2014	2015	2016
Floating rate			
— from ultimate holding company	—	—	—
— from other authorised institutions	600,000	1,949,185	708,065
	600,000	1,949,185	708,065

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

41 Bank borrowing — continued

(c) Outstanding bank loans and subordinated loans

The Group

	31 December		
	2014	2015	2016
Bank loans			
Current — Ultimate holding company (Note 43)	204,440	—	—
Current — authorised institutions	1,332,260	1,913,563	3,551,620
	1,536,700	1,913,563	3,551,620
Non-current — Ultimate holding company (Note 43)	—	541,450	996,395
Non-current — authorised institutions	—	300,000	300,000
	—	841,450	1,296,395
Subordinated loans (Note 43)			
Non-current	200,000	600,000	—
Current	600,000	400,000	1,000,000
	800,000	1,000,000	1,000,000
Total	2,336,700	3,755,013	5,848,015

The Company

	31 December		
	2014	2015	2016
Bank loans			
Current — Ultimate holding company	—	—	—
Current — authorised institutions	932,260	1,615,765	2,683,875
	932,260	1,615,765	2,683,875
Non-current — Ultimate holding company	—	—	—
Non-current — authorised institutions	—	300,000	300,000
	—	300,000	300,000
Total	932,260	1,915,765	2,983,875

(d) Interest rate

The Group

	31 December		
	2014	2015	2016
Subordinated loans from ultimate holding company	HIBOR plus 0.5% to 1%	HIBOR plus 0.5% to 1%	HIBOR plus 0.5% to 1%
Bank loans from ultimate holding company which bear floating rate interest	HIBOR plus 1.8%	LIBOR plus 1.6%	LIBOR plus 1.6%
Bank loans from authorised institutions which bear floating rate interest, HIBOR	HIBOR plus 1.8% to 1.9%	HIBOR plus 1.2% to 2.3%	HIBOR plus 1.4% to 2.3%
Bank loans from authorised institutions which bear floating rate interest, LIBOR	LIBOR plus 1.8%	LIBOR plus 1.4% to 1.65%	LIBOR plus 1.4% to 1.6%

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

41 Bank borrowing — continued

(d) Interest rate — continued

The Company

	31 December		
	2014	2015	2016
Bank loans from authorised institutions which bear floating rate interest, HIBOR	HIBOR plus 1.875%	HIBOR plus 1.2% to 2.3%	HIBOR plus 1.5% to 2.3%
Bank loans from authorised institutions which bear floating rate interest, LIBOR	LIBOR plus 1.8%	LIBOR plus 1.4% to 1.65%	LIBOR plus 1.4%

(e) Borrowings repayable

The Group

	31 December		
	2014	2015	2016
Within 1 year	2,136,700	2,313,563	4,551,620
Between 1 and 2 years	200,000	600,000	1,296,395
Between 2 and 5 years	—	841,450	—
Over 5 years	—	—	—
	2,336,700	3,755,013	5,848,015

As at 31 December 2016, a current bank borrowing of HK$298,067 thousand from other independent bank is secured by the preference shares of the Group of HK$427,986 thousand. No other bank borrowings are secured.

The Company

	31 December		
	2014	2015	2016
Within 1 year	932,260	1,615,765	2,683,875
Between 1 and 2 years	—	—	300,000
Between 2 and 5 years	—	300,000	—
Over 5 years	—	—	—
	932,260	1,915,765	2,983,875

42 Asset acquisition

(a) BOCOM International (Shanghai) Equity Investment Fund I L.P.

On 9 December 2014, the wholly owned subsidiary of the Group, Shanghai Bole Investment Co., Ltd (上海博樂投資有限公司), acquired additional 92.48% of the net assets of BOCOM International (Shanghai) Equity Investment Fund I L.P. (交銀國際一期(上海)股權投資基金合夥企業(有限合夥)), an unlisted investment fund, from the 43 limited partners. The shareholdings of the Group increased from 1.16% to 93.64% and the Group obtained control of BOCOM International (Shanghai) Equity Investment Fund I L.P. on the acquisition date.

The acquisition is for investment trading purpose which is under the ordinary course of business of the Group. BOCOM International (Shanghai) Equity Investment Fund I L.P. was managed and continues to be managed by a wholly owned subsidiary of the Group before and after the acquisition, hence the transaction is considered an asset acquisition. No goodwill is recognised from the acquisition.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

42 Asset acquisition — continued

(a) BOCOM International (Shanghai) Equity Investment Fund I L.P. — continued

The following table summarises the consideration paid for BOCOM International (Shanghai) Equity Investment Fund I L.P. and the allocation of consideration to the assets acquired.

Consideration:	
At 9 December 2014	
Cash	99,821
Incurring liabilities	10,892
Fair value of equity interest held before the business combination	1,389
Total consideration	112,102
Allocation of consideration to net assets acquired:	
Financial asset at fair value through profit or loss	8,750
Interest in an associate (Note 21)	108,339
Cash and bank balances	428
Accrued charges and other payable	(171)
Total identifiable net assets	117,346
Non-controlling interest	(5,244)
	112,102

(b) BOCOM International China Dynamic Fund ("the Fund")

On 15 August 2014, the Group and the Company acquired 30.92% of the Fund's net assets and obtained control of the Fund considering its size of voting rights relative to the size and dispersion of other shareholders' voting right. Subsequently, the Group and the Company increased its percentage of interest up to 50.8% as of 31 December 2014.

The acquisition is for investment trading purpose which is under the ordinary course of business of the Group. The Fund was managed and continues to be managed by a wholly owned subsidiary of the Group before and after the acquisition, hence the transaction is considered an asset acquisition. No goodwill is recognised from the acquisition.

The following table summarises the consideration paid for BOCOM International China Dynamic Fund and the allocation of consideration to the assets acquired.

Consideration:	
At 15 August 2014	
Total consideration in cash	24,970
Allocation of consideration to net assets acquired:	
Cash and bank balances	80,763
Financial liabilities at fair value through profit or loss	(55,793)
Total identifiable net assets	24,970

43 Related party transactions

The Group is controlled by Bank of Communications Co., Ltd., a state-owned enterprise incorporated in the PRC, which owns 100% of the Group's shares. Bank of Communications Co., Ltd is also the ultimate parent and controlling party of the Group.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

43 Related party transactions — continued

Details of the Company's subsidiaries, associates and joint venture are disclosed in Note 20, 21 and 22.

The following entities are also considered related parties to the Group:

Related parties	The relationship with the Group
BOCOM International Dragon Core Growth Fund	The fund is managed by a subsidiary of the Group
Global Strategic Emerging Markets Bond Fund	The fund is managed by a subsidiary of the Group
BOCOM International Global Investment Limited	The fund is managed by a subsidiary of the Group
BOCOM International Horizon Investment Limited	The fund is managed by a subsidiary of the Group
BOCOM International Opportunity Investment Limited	The fund is managed by a subsidiary of the Group
BOCOM International Premium Investment Limited	The fund is managed by a subsidiary of the Group
BOCOM International (Shanghai) Equity Investment Fund I L.P.* 交銀國際一期 (上海) 股權投資基金合夥企業 (有限合夥)	The fund is managed by a subsidiary of the Group
Shanghai Shenya Corporate Management Co., Ltd* 上海神亞企業管理有限公司	The fund is controlled by the same management of a subsidiary of the Group

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group entered into the following transactions with related parties:

(a) Ultimate holding company

		For the years ended 31 December		
Transaction	Notes	2014	2015	2016
Interest income from deposits	i	3,968	3,695	2,052
Interest income from loans	ii	—	—	28,176
Interest expenses	iii	21,151	26,144	34,939
Commission income	iv	30,504	21,478	8,155
Commission expenses	v	3,898	7,822	5,919
Asset management and advisory income	vi	—	—	2,564
Fund management fee income	vii	—	1,219	3,719
Underwriting fee income	viii	1,377	14,015	1,008
Carpark rental expenses	xii	83	83	97
Other operating expenses	xiii	1,392	1,493	1,445
Trading losses from derivatives transactions	xiv	—	—	7,874

		31 December		
Balance of transaction	Notes	2014	2015	2016
Accounts receivable	xv	9,795	42,734	40,705
Bank loans	ix	204,440	541,450	996,395
Subordinated loans	x	800,000	1,000,000	1,000,000
Derivative financial liabilities	xiv	—	—	353
Accounts payable	xv	125,286	43,875	145,463
Amount due to the ultimate holding company	xvi	4,799	7,053	5,806

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

43 Related party transactions — continued

(b) Fellow subsidiaries and associate

Transaction	Notes	For the years ended 31 December 2014	2015	2016
Commission expenses	v	8	—	—
Asset management and advisory income	vi	4,315	8,017	11,217
Underwriting fee income	viii	—	774	6,968
Office rental expenses	xi	2,164	3,735	8,963
Carpark rental expenses	xii	—	—	27
Other operating expenses	xiii	3,308	3,407	6,140

Balance of transaction	Notes	31 December 2014	2015	2016
Accounts receivable	xv	6,001	1	1,089
Amount due from an associate	xvi	2,433	3,390	—
Amount due to a fellow subsidiary	xvi	50	—	—

(c) Related parties

Transaction	Notes	For the years ended 31 December 2014	2015	2016
Interest income from a loan	ii	—	—	4,197
Fund management fee income	vii	—	5,792	24,320

Balance of transaction	Notes	31 December 2014	2015	2016
Amounts due from related parties	xvi	—	919	16,093

(d) Key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 12, is as follows:

	For the years ended 31 December 2014	2015	2016
Salaries and other short-term employee benefits	18,717	41,084	34,625
Termination benefits	—	—	—
Post-employment benefits	—	—	—
Other long-term benefits	—	—	—
Share-based payments	—	—	—
Total	18,717	41,084	34,625

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

43 Related party transactions — continued

Notes

(i) Interest income from deposits

In the ordinary course of business, the Group placed its cash and cash equivalents and client monies with Bank of Communications Co., Ltd., Hong Kong Branch and PRC Branches.

(ii) Interest income from loans

Interest income was derived from loans made to the ultimate holding company and BOCOM International Global Investment Limited at market rates.

(iii) Interest expenses

In the ordinary course of business, the Group obtained subordinated loans, bank loans and IPO loans from its ultimate holding company, Bank of Communications Co., Ltd., Hong Kong Branch, to finance its margin financing activities and daily operations. The above bank borrowings were entered at the relevant market rates at the time of the transactions.

(iv) Commission income

Commission income was derived from the Group's securities brokerage business and determined on terms similar to those transactions conducted with independent third parties.

(v) Commission expenses

The commission expenses represented rebate of brokerage commission income to the ultimate holding company and its fellow subsidiaries in respect of the securities brokerage transactions. The rates were mutually agreed by the ultimate holding company/fellow subsidiaries and the Group.

(vi) Asset management and advisory income

The Group has agreements with its ultimate holding company and associates, BOCOM International China Fund L.P. and Culture Fund, under which the Group provides asset management and investment advisory services in return for asset management and advisory income.

The ultimate holding company has also appointed a subsidiary of the Group to provide asset management service to its clients.

(vii) Fund management fee income

The Group has agreements with its related parties, IDCG, GSEM, BOCOM International Global Investment Limited, Horizon Investment Limited, Opportunity Investment Limited, Premium Investment Limited as well as the ultimate holding company under which the Group provides asset management and investment advisory services, in return for management fee income.

(viii) Underwriting fee income

Underwriting fee income represented underwriting services provided to the ultimate holding company and a fellow subsidiary in relation to notes issuance.

(ix) Bank loans

A portion of the bank loan was obtained from the ultimate holding company. Details of the bank loan are stated in Note 41(c).

(x) Subordinated loans

The subordinated loans from the ultimate holding company are unsecured and bear floating interest. Details of the subordinated loans are stated in Note 41(c).

(xi) Office rental expenses

The office rental expenses paid to the fellow subsidiaries was agreed by the fellow subsidiaries and the Group.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

43 Related party transactions — continued

Notes (continued)

(xii) Carpark rental expenses

The carpark rental expenses paid to the ultimate holding company and fellow subsidiaries was agreed by the ultimate holding company, fellow subsidiaries and the Group.

(xiii) Other operation expenses

The other operating expenses mainly included system usage fee, bank charges, custody fee, professional fee and insurance expense.

(xiv) Trading losses and derivative financial liabilities from derivatives transactions

Trading losses and derivative financial liabilities from derivatives transactions represented losses from over-the-counter derivatives transactions in respect of commodities entered into between the Group and the ultimate holding company. The Group had effectively offset the risk by entering into exchange-traded futures contracts.

(xv) Accounts receivable and accounts payable

They were balances due from/to the ultimate holding company, fellow subsidiaries and associate in the Group's ordinary course of business.

(xvi) Amount(s) due from/(to) the ultimate holding company/an associate/a fellow subsidiary/related parties

The amounts are unsecured, interest-free and repayable on demand.

Except for the following balance, all the other amounts are of trade nature.

	31 December		
	2014	2015	2016
Amount due from associate			
Payment on behalf of associate	1,118	2,074	—

44 Structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

(a) Unconsolidated structured entities

The Group has been involved in unconsolidated structured entities through investments in structured entities or acting as the investment manager of the structured entities. The unconsolidated structured entities consist primarily of special purpose vehicles ("SPV") for investment trading on asset management business. The SPVs invest in a range of assets, most typically are bonds, unit trusts and preference shares. As the manager of the structured entities, the Group invests, on behalf of its clients, in the assets as described in the investment plan related to each fund and receives management fee income. The Group's remuneration as investment manager is limited to management fees and performance fees at market level and does not share significant variable returns of the investment, except for one SPV, of which the Group has direct interest in an underlying asset. The direct interest represents 2% of the total investments held under the SPV. The Group records trading gains or losses from its investment in the structured entities. These structured entities are not consolidated by the Group.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

44 Structured entities — continued

(a) Unconsolidated structured entities — continued

Interests in unconsolidated structured entities and maximum exposure to unconsolidated structured entities

As at 31 December 2014, 2015 and 2016, the Group's total interests in unconsolidated structured entities on the consolidated statements of financial position and maximum exposure to loss from its interests in unconsolidated structured entities are summarised in the table below:

The Group

	31 December		
	2014	2015	2016
Available-for-sale investment	—	—	90,666
Financial assets at fair value through profit or loss	—	31,236	27,352
Maximum exposure to loss	—	521,052	1,112,198

The Group's maximum exposure to loss is greater than the carrying amount of the Group's investments as the Group provides guarantee on the investment principal and return to one of the unconsolidated structured entities. However, the Group is of the view that the guaranteed return matches the expected portfolio return, hence the guaranteed return does not increase the risk of its involvement in this structured entity.

Size of unconsolidated structured entities

The size of structured entities is measured by the fair value of investments managed by the unconsolidated structured entities. As at 31 December 2014, 2015 and 2016, the fair value of investments managed by the unconsolidated structured entities are summarised in the table below:

The Group

	31 December		
	2014	2015	2016
Fair value of investments managed by the unconsolidated structure entities	—	2,465,013	11,353,722

Financial support

In 2016, the Group provided short-term liquidity support to BOCOM International Global Investment Limited by granting a loan of HK$279,108 thousand to the structured entity. They are unsecured, repayable on demand and at market interest rate. The full amount has been repaid before 31 December 2016 and the Group does not have intention to provide additional support. For the year ended 31 December 2016, the Group earned interest income in relation to the funding service provided to the unconsolidated structured entities.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

44 Structured entities — continued

(a) Unconsolidated structured entities — continued

Transactions with unconsolidated structured entities

For the years ended 31 December 2014, 2015 and 2016, the Group earned management fees for its investment management service in relation to fund. Interest income is recognised on the loans provided to structured entities. The total income derived from involvement with unconsolidated structured entities are summarised in the table below.

The Group

	For the years ended 31 December		
	2014	2015	2016
Management fee income	—	7,032	41,261
Interest income	—	—	6,537
	—	7,032	47,798

(b) Consolidated structured entities managed and held by the Group

The Group has consolidated certain structured entities which are funds for investment trading on asset management business. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. The Group concludes that these structured entities shall be consolidated.

The size of consolidated structured entities is measured by the fair value of investments managed by the consolidated structured entities. As at 31 December 2014, 2015 and 2016, the fair value of investments managed by the consolidated structured entities are summarized in the table below:

The Group

	31 December		
	2014	2015	2016
Fair value of investments managed by the consolidated structured entities	339,606	147,945	123,315

The financial impact of any individual fund on the Group's financial performance is not significant. The Group did not provide principal or return guarantee to any of the consolidated structured entities.

During the years ended 31 December 2014, 2015 and 2016, the Group did not provide financial support for any of the consolidated structured entities.

There were no contractual liquidity arrangements or other commitments between the Group, structured entities or any third parties that could increase the level of the Group's risk from or reduce its interest in structured entities during the years ended 31 December 2014, 2015 and 2016. No loss was incurred by the structured entities relating to the Group's interests in the structured entities, and the structured entities did not experience difficulty in financing their activities.

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

45 Statement of changes in equity of the Company

	Share capital	Retained earnings	Revaluation reserve	Total
At 1 January 2014	2,000,000	409,859	2,721	2,412,580
Loss for the year	—	(255,445)	—	(255,445)
Other comprehensive loss for the year	—	—	(368)	(368)
Total comprehensive loss for the year	—	(255,445)	(368)	(255,813)
At 31 December 2014	2,000,000	154,414	2,353	2,156,767
At 1 January 2015	2,000,000	154,414	2,353	2,156,767
Loss for the year	—	(43,695)	—	(43,695)
Other comprehensive loss for the year	—	—	(10,076)	(10,076)
Total comprehensive loss for the year	—	(43,695)	(10,076)	(53,771)
At 31 December 2015	2,000,000	110,719	(7,723)	2,102,996
At 1 January 2016	2,000,000	110,719	(7,723)	2,102,996
Profit for the year	—	116,078	—	116,078
Other comprehensive loss for the year	—	—	(8,598)	(8,598)
Total comprehensive income/(loss) for the year	—	116,078	(8,598)	107,480
At 31 December 2016	2,000,000	226,797	(16,321)	2,210,476

46 Cash held on behalf of brokerage clients and asset management clients

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage and asset management business.

The Group

(a) Segregated clients' accounts with HKFE Clearing Corporation Limited ("HKCC")

	31 December		
	2014	2015	2016
Segregated clients' accounts with HKCC	69,226	23,805	72,769

(b) Segregated clients' accounts with SEHK Options Clearing House Limited ("SEOCH") in conjunction with its futures and options business

	31 December		
	2014	2015	2016
Segregated clients' accounts with SEOCH	17,483	36,057	46,978

(c) Segregated clients' accounts with authorised institutions ("AIs") as a result of its normal business transactions, which are not otherwise dealt within the Financial Information

	31 December		
	2014	2015	2016
Segregated clients' accounts with AIs	2,049,663	2,958,087	3,484,068

II NOTES TO THE FINANCIAL INFORMATION — CONTINUED

47 Contingent Liabilities

(a) Guaranteed return by asset management service

In connection with the Group's asset management service, the Group entered into a service agreement in August 2015 which provides a client a guarantee on the investment principal and return. The investment principal amounted to MOP500,000 thousand. The service agreement will expire in August 2020. Performance of the relevant investment portfolios will be subject to uncertainties such as market conditions and volatility. The relevant investment portfolios mainly consist of fixed income instruments. During the Track Record Period, the average yield of the relevant investment portfolios had been above the guaranteed return.

In November 2016, the Group entered into another service agreement with the same client on similar terms for an additional investment principal of MOP500,000 thousand, which will expire in November 2021.

(b) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at 31 December 2014, 2015 and 2016, the Group were not involved in any material legal, arbitration or administrative proceedings, which the Group expect would have significant adverse impact on their financial position and operating results, should unfavourable rulings have been handed down.

48 Event after the reporting period

On 15 March 2017, one of the wholly owned subsidiaries of the Group, BOCOM International (Asia) Limited, was fined HK$15,000 thousand by the SFC for failing to discharge its duties as a sponsor in relation to a listing application. As SFC investigation started during the year ended 31 December 2016, a provision of HK$15,000 thousand has been made for the year then ended to reflect this event after the reporting period.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2016 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2016 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2016 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2016[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets of the Group attributable to the shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share[3]
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$2.60 per Share	3,978,450	1,647,010	5,625,460	2.11
Based on an Offer Price of HK$3.10 per Share	3,978,450	1,972,657	5,951,107	2.23

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2016 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2016 of HK$3,981,646 thousand with an adjustment for the intangible assets as at 31 December 2016 of HK$3,196 thousand. On 15 March 2017, one of the wholly owned subsidiaries of the Group, BOCOM International (Asia) Limited, was fined HK$15,000 thousand by the SFC for failing to discharge its duties as a sponsor in relation to a listing application. As SFC investigation started during the year ended 31 December 2016, a provision of HK$15,000 thousand has been made for the year then ended to reflect this event after the reporting period.

(2) The estimated net proceeds for the purpose of unaudited pro forma adjusted net tangible assets of the Group are based on the indicative Offer Price of HK$2.60 and HK$3.10 per Share, respectively, after deduction of the underwriting fees and other related expenses to be paid by the Company (excluding the expenses which have been charged to profit or loss up to 31 December 2016) and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,666,680,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2016 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2016.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of BOCOM International Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BOCOM International Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated 5 May 2017, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2016 as if the proposed initial public offering had taken place at 31 December 2016. 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 year ended 31 December 2016, on which an accountant's 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any

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responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the 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 a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed initial public offering at 31 December 2016 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 accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company 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 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 5 May 2017

A. TAXATION

The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong and PRC tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below. Where Hong Kong and PRC tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

I. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

1. Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

2. Hong Kong Taxation of Shareholders

Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by the Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

II. OVERVIEW OF TAX IMPLICATIONS OF THE PRC

1. Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "EIT Law"), effective on 1 January 2008 and amended on 24 February 2017, and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), effective on 1 January 2008, enterprises are classified as either resident enterprises or non-resident enterprises for tax purpose. Resident enterprises are enterprises which have been formed in the PRC in accordance with domestic law, or which have been formed in accordance with the law of a foreign country but which are actually under the control of institutions in the PRC. A resident enterprise must pay enterprise income tax on its worldwide income a rate of 25%.

A non-resident enterprise which has established agencies or offices in China shall pay enterprise income tax on its income earned by such agencies or offices from inside China, and its income which is earned outside China but is actually associated with such agencies or offices. The rate of enterprise income tax is 25%.

A non-resident enterprise which hasn't established agencies or offices in China, or which has established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax on its income earned from inside China. The rate of enterprise income tax is 20%.

In addition, enterprise income tax on a small meagre-profit enterprise that meets the prescribed conditions shall be levied at a reduced tax rate of 20%, and the enterprise income tax on important high-tech enterprises that are necessary to be supported by the state shall be levied at the reduced tax rate of 15%.

2. Value-added Tax

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Notice on Comprehensively Carrying out the Pilot Project of the Value-added Tax for Business Tax Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "Circular 36"), which introduced a new value-added tax ("VAT") arrangement from 1 May 2016.

Under the Circular 36, VAT is applicable where the entities or individuals provide services, intangible assets or real estates within the PRC, and the aforementioned provision of services, intangible assets or real estates shall be construed in accordance with Article 12 and Article 13 of the Measures for the Implementation of the Pilot Program of Replacing Business Tax with Value-Added Tax (營業稅改徵增值稅試點實施辦法). The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent.

B. REGULATORY OVERVIEW

I. OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS OPERATIONS IN HONG KONG

The key laws and regulations which relate to the Group's business and operations in Hong Kong are summarised as follows:

1. Introduction

The Securities and Futures Ordinance, including its subsidiary legislation, is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and

leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, and intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matters.

The SFO is administered by the SFC which is an independent statutory body in Hong Kong set up to regulate the securities and futures markets and the non-bank leveraged foreign exchange market in Hong Kong.

In addition, the Companies (Winding Up and Miscellaneous Provisions) Ordinance including its subsidiary legislation provides that the SFC is responsible for authorising the registration of prospectuses for offerings of shares and debentures in Hong Kong and/or granting exemptions from strict compliance with the provisions in the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance. The SFO provides that the SFC is also responsible for authorising certain securities (including the relevant offering documents) that are not shares or debentures.

The Hong Kong securities and futures industry is also governed by the rules and regulations introduced and administered by the Stock Exchange and the Futures Exchange.

Types of regulated activities

The SFO provides a licensing regime where a person needs to obtain a licence to carry on a business in any of the following regulated activities as defined in Schedule 5 to the SFO:

Licence	Regulated activity
Type 1:	Dealing in securities
Type 2:	Dealing in futures contracts
Type 3:	Leveraged foreign exchange trading
Type 4:	Advising on securities
Type 5:	Advising on futures contracts
Type 6:	Advising on corporate finance
Type 7:	Providing automated trading services
Type 8:	Securities margin financing
Type 9:	Asset management
Type 10:	Providing credit rating services
Type 11:	Dealing in OTC derivative products or advising on OTC derivative products(1)
Type 12:	Providing client clearing services for OTC derivative transactions(2)

Notes:

(1) The amendments to the SFO in relation to Type 11 regulated activity are not yet in operation. The day on which the Type 11 regulated activity will come into operation will be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette.

(2) The Type 12 regulated activity came into operation on 1 September 2016 pursuant to the Securities and Futures (Amendment) Ordinance 2014 (Commencement) Notice 2016 (L.N. 27 of 2016), in so far as it relates to paragraph (c) of the new definition of excluded services in Part 2 of Schedule 5 to the SFO.

As at the Latest Practicable Date, the following members of the Group were licensed under the SFO to conduct the following regulated activities:

Group Company	Regulated Activities by Type of Licence
BOCOM International (Asia) Limited	Type 1, Type 6
BOCOM International Securities Limited	Type 1, Type 2, Type 4, Type 5
BOCOM International Asset Management Limited	Type 1, Type 4, Type 9

In addition to the above licences granted to the members of the Group by the SFC, the Company also holds a money lender's licence issued by the licensing court under the Money Lenders Ordinance, which allows it to provide loans to its clients in its ordinary course of business.

2. Overview of Licensing Requirements under the SFO

Under the SFO, any person who carries on a business in a regulated activity or holds itself out as carrying on a business in a regulated activity must be licensed under the relevant provisions of the SFO to carry on that regulated activity, unless any exemption under the SFO applies. This applies to a corporation carrying on a business in a regulated activity and to any individuals acting on behalf of that corporation in carrying on such activities, as further described below. It is an offence for a person to conduct any regulated activity without the appropriate licence issued by the SFC.

Further, if a person (whether by itself or another person on his behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public in Hong Kong any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

Responsible Officers

In order for a licensed corporation to carry on any of the regulated activities, it must appoint no less than two Responsible Officers for each regulated activity conducted by a licensed corporation, at least one of whom must be an executive director, to supervise the business of each regulated activity.

An "executive director" of a licensed corporation is defined as a director of the corporation who (a) actively participates in or (b) is responsible for directly supervising, the business of a regulated activity or activities for which the corporation is licensed. Every executive director of the licensed corporation who is an individual must apply to the SFC to be approved as a Responsible Officer of such licensed corporation in relation to the regulated activities.

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

A licensed corporation is required to designate certain individuals as MICs and provide to the SFC information about its MICs and their reporting lines. MICs are individuals appointed by a licensed corporation to be principally responsible, either alone or with others, for managing each of the following eight core functions of the licensed corporation:

(a) overall management oversight;

(b) key business lines;

(c) operational control and review;

(d) risk management;

(e) finance and accounting;

(f) information technology;

(g) compliance; and

(h) anti-money laundering and counter-terrorist financing.

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

The MIC regime came into effect on 18 April 2017 but the SFC has granted licensed corporations a three-month grace period to comply with the new requirements. The grace period will expire on 17 July 2017.

Licensed Representatives

In addition to the licensing requirements for corporations that carry on regulated activities, any individual who:

(a) performs any regulated function for his principal which is a licensed corporation in relation to a regulated activity carried on as a business; or

(b) holds himself out as performing such regulated function,

must separately be licensed under the SFO as a Licensed Representative accredited to his principal.

3. Fit and Proper Requirement

Persons who apply for licences to carry on regulated activities under the SFO must satisfy, and continue to satisfy the SFC after the grant of such licences by the SFC, that they are fit and proper persons to be so licensed. The Fit and Proper Guidelines issued by the SFC under section 399 of the SFO summarise certain matters that the SFC will generally consider when determining whether the applicant is a fit and proper person to be licensed under the SFO. In particular, Appendix I to the Fit and Proper Guidelines sets out additional fit and proper guidelines for corporations and authorised financial institutions applying or continuing to act as sponsors and compliance advisers.

Under the Fit and Proper Guidelines, the SFC will consider the following matters of the applicant in addition to any other issues as it may consider to be relevant:

(a) the financial status or solvency;

(b) the educational or other qualifications or experience having regard to the nature of the functions to be performed;

(c) the ability to carry on the regulated activity competently, honestly and fairly; and

(d) the reputation, character, reliability and financial integrity.

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

In addition to the above, the SFC may also take into account of the following matters:

(a) any decisions made by the Monetary Authority, the Insurance Authority, the Mandatory Provident Fund Schemes Authority or any other authorities or organisations performing similar functions as those of SFC (in the SFC's opinion) whether in Hong Kong or elsewhere in respect of the applicant;

(b) any information relating to:

    (i) any person who is or is to be employed by, or associated with, the applicant for the purpose of the regulated activity in question;

    (ii) any person who will be acting for or on behalf of the applicant in relation to the regulated activity in question; and

    (iii) if the applicant is a corporation in a group of companies, any other corporation within the same group of companies or any substantial shareholder or officer of any such corporation;

(c) whether the applicant has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions; and

(d) the state of affairs of any other business which the person carries on or proposes to carry on.

4. Continuing Obligations of Licensed Corporations

Licensed corporations, Licensed Representatives and Responsible Officers must remain fit and proper at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations, as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key continuing obligations of the licensed corporations within the Group under the SFO:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC in accordance with the requirements under the FRR;
- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong);
- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong);
- issuance of contract notes, statements of account and receipts in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong);
- maintenance of proper records in accordance with the requirements prescribed under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong);
- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong);
- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong);
- payment of annual fees and submission of annual returns to the SFC within one month after each anniversary date of the licence;
- notification to the SFC of certain changes and events in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong);
- notification to the SFC of any changes in the appointment of MICs or any changes in certain particulars of MICs pursuant to the Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management dated 16 December 2016 issued by the SFC;
- compliance with the continuous professional training and related record keeping requirements under the Guidelines on Continuous Professional Training issued by the SFC;

- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record keeping, identification and reporting of suspicious transactions and staff screening, education and training in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC (the "**AMLCTF Guideline**");

- compliance with the business conduct requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC and the Fit and Proper Guidelines;

- compliance with employee dealings requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, which requires licensed corporations to implement procedures and policies on employee trading, to actively monitor the trading activities in their employees' accounts and their related accounts; and

- compliance with the Advertising Guidelines Applicable to Collective Investment Schemes Authorised under the Product Codes, the Guidelines on Disclosure of Fees and Charges Relating to Securities Services and other applicable codes, circulars and guidelines issued by the SFC.

5. The Securities and Futures (Financial Resources) Rules of Hong Kong

Subject to certain exemptions specified under the FRR, a licensed corporation is required to maintain minimum paid-up share capital in accordance with the FRR. The following table sets out a summary of the key requirements on minimum paid-up share capital under the FRR which are applicable to each of the licensed corporations within the Group:

Licensed Corporation within the Group	Regulated Activities	Minimum Amount of Paid-up Share Capital
BOCOM International (Asia) Limited	A corporation licensed for Type 1 and Type 6 regulated activities	HK$10,000,000
BOCOM International Securities Limited	A corporation licensed for Type 1, Type 2, Type 4 and Type 5 regulated activities	HK$10,000,000
BOCOM International Asset Management Limited	A corporation licensed for Type 1, Type 4 and Type 9 regulated activities	HK$5,000,000

In addition, the FRR also requires a licensed corporation to maintain minimum liquid capital. The minimum liquid capital requirements under the FRR that are applicable to each of the licensed corporations within the Group are the higher of the amount of (a) and (b) below:

(a) the amount of:

Licensed Corporation within the Group	Regulated Activities	Minimum Amount of Required Liquid Capital
BOCOM International (Asia) Limited	A corporation licensed for Type 1 and Type 6 regulated activities	HK$3,000,000
BOCOM International Securities Limited	A corporation licensed for Type 1, Type 2, Type 4 and Type 5 regulated activities	HK$3,000,000
BOCOM International Asset Management Limited	A corporation licensed for Type 1, Type 4 and Type 9 regulated activities	HK$3,000,000

(b) in the case of a corporation licensed for any regulated activities other than Type 3 regulated activity, its variable required liquid capital which means 5% of the aggregate of (i) its adjusted liabilities, (ii) the

aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, and (iii) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to the requirement of payment of initial margin requirements.

6. Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong) (the "Client Securities Rules")

The repledging limit stipulated under section 8A of the Client Securities Rules applies to an intermediary which is licensed for dealing in securities and/or securities margin financing and where the intermediary or an associated entity of such intermediary repledges securities collateral of the intermediary. On each business day, the intermediary shall ascertain the aggregate market value of the repledged securities collateral, which shall be calculated by reference to the respective closing prices of the collateral on that business day.

Pursuant to section 8A of the Client Securities Rules, if the aggregate market value of the repledged securities collateral as calculated above exceeds 140% of the intermediary's aggregate margin loans on the same business day (the "**Relevant Day**"), the intermediary shall by the close of business on the next business day following the Relevant Day (the "**Specified Time**") withdraw, or causes to be withdrawn, from deposit an amount of repledged securities collateral such that the aggregate market value of the repledged securities collateral at the Specified Time, which is calculated by reference to the respective closing prices on the Relevant Day, does not exceed 140% of the intermediary's aggregate margin loans as at the close of business on the Relevant Day.

7. Exchange and Clearing Participantship

As at the Latest Practicable Date, BOCOM International Securities was a participant of the following:

Exchange / Clearing House	Type of Participantship
The Stock Exchange	Participant Options Trading Exchange Participant China Connect Exchange Participant
The Futures Exchange	Futures Commission Merchant
The SEHK Options Clearing House Limited ("SEOCH")	General Clearing Participant
HKSCC	Direct Clearing Participant China Connect Clearing Participant
HKFE Clearing Corporation Limited ("HKCC")	Clearing Participant

Trading Rights

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

Stock Exchange Trading Rights and Futures Exchange Trading Rights are issued by the Stock Exchange and the Futures Exchange at a fee and in accordance with the procedures set out in their respective rules. Alternatively, Stock Exchange Trading Rights and Futures Exchange Trading Rights can be acquired from existing Trading Right holders subject to the rules of the respective exchanges.

Exchange Participantship

The table below sets out a summary of the requirements for becoming an exchange participant of the relevant exchange:

	Stock Exchange Participant / Stock Options Exchange Participant	Futures Exchange Participant
Legal Status	Being a company limited by shares incorporated in Hong Kong	
SFC Registration	Being a licensed corporation qualified to carry out Type 1 regulated activity under the SFO	Being a licensed corporation qualified to carry out Type 2 regulated activity under the SFO
Trading Right	Holding a Stock Exchange Trading Right	Holding a Futures Exchange Trading Right
Financial Standing	Having good financial standing and integrity	
Financial Resources Requirement	Complying with the minimum capital requirement, liquid capital requirement and other financial resources requirements as specified by the FRR	

Clearing Participantship

An entity must be an exchange participant of the relevant exchange before it can become a clearing participant of the following clearing houses, namely the HKSCC, HKCC and SEOCH.

HKSCC

HKSCC has, among others, two categories of participantship: (1) the Direct Clearing Participant; and (2) the General Clearing Participant. The requirements of Direct Clearing Participantship are as follows:

- to be an Exchange Participant of the Stock Exchange;
- to undertake to (i) sign a participant agreement with HKSCC; (ii) pay to HKSCC an admission fee of HK$50,000 in respect of each Stock Exchange Trading Right held by it; and (iii) pay to HKSCC its contribution to the Guarantee Fund of HKSCC as determined by HKSCC from time to time subject to a minimum cash contribution of the higher of HK$50,000 or HK$50,000 in respect of each Stock Exchange Trading Right held by it;
- to open and maintain a single current account with one of the CCASS designated banks and execute authorisations to enable the designated bank to accept electronic instructions from HKSCC to credit or debit the account for CCASS money settlement, including making payment to HKSCC;
- to provide a form of insurance to HKSCC as security for liabilities arising from defective securities deposited by it into CCASS, if so required by HKSCC; and
- to have a minimum liquid capital of HK$3,000,000.

HKCC

HKCC has two categories of participantship: (1) the General Clearing Participant; and (2) the Clearing Participant. A Clearing Participant is a participant which only registers and clears trades for its own and clients' accounts. The requirements of Clearing Participantship of HKCC are as follows:

- to be an Exchange Participant of the Futures Exchange;
- to have a liquid capital of no less than the higher of:

  (a) its required liquid capital under the FRR; or

(b) HK$5,000,000; and

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

SEOCH

SEOCH has two different categories of clearing participantship: (1) Direct Clearing; and (2) General Clearing. A General Clearing Participant is a participant which can register and clear its own account, its clients' accounts and other Options Trading Exchange Participants' own and clients' accounts. The requirements of General Clearing Participantship are as follows:

- to be an Options Trading Exchange Participant of the Stock Exchange;
- to have in place procedures and a back office computer system appropriate to the type of SEOCH Participant applied for;
- to have a liquid capital of not less than the higher of:

  (a) its required liquid capital under the FRR; or

  (b) HK$20,000,000; and

- to contribute HK$5,000,000 to the Reserve Fund, with an additional HK$1,500,000 in respect of each clearing agreement entered into with Options Trading Exchange Participants from the fourth agreement onwards referred to in Chapters 3 and 4 of the Options Clearing Rules of SEOCH.

China Connect Exchange Participant

China Connect is open to all Exchange Participants, but Exchange Participants who wish to participate must satisfy certain eligibility requirements published on the Stock Exchange website at http://www.hkex.com.hk/mutualmarket.

Only the following Exchange Participants shall be eligible to apply for registration and to remain registered as China Connect Exchange Participants: (1) Exchange Participants that are CCASS Clearing Participants, and (2) Exchange Participants that are not CCASS Clearing Participants but have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP (capitalised terms of which are defined in the Rules of the Exchange).

The Stock Exchange may publish the China Connect Exchange Participant Registration Criteria (as defined in the Rules of the Stock Exchange) and a list of the China Connect Exchange Participants registered from time to time on the website of the Stock Exchange or by other means that it considers appropriate.

China Connect Clearing Participant

Only China Connect Clearing Participants may use China Connect Clearing Services relating to the clearing and settlement of China Connect Securities Trades. The requirements for being accepted for registration and remaining registered as a China Connect Clearing Participant are as follows:

- to be a Direct Clearing Participant or a General Clearing Participant;
- to undertake to pay HKSCC such amount of Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral as may be specified by HKSCC in accordance with the Operational Procedures of HKSCC in relation to CCASS; and
- to meet all other relevant China Connect Clearing Participant Registration Criteria.

HKSCC may from time to time prescribe additional eligibility criteria for participants to be accepted for registration and to remain registered as China Connect Clearing Participants. HKSCC may publish the China Connect Clearing Participant Registration Criteria and a list of China Connect Clearing Participants on the website of the Stock Exchange or by other means that it considers appropriate.

8. Anti-Money Laundering and Counter-Terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the AMLCTF Guideline and the Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities published by the SFC.

The AMLCTF Guideline provides practical guidance to assist licensed corporations and their senior management in formulating and implementing their own policies, procedures and controls in order to meet applicable legal and regulatory requirements in Hong Kong. Under the AMLCTF Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the risks associated with money laundering and terrorist financing;
- consider the delivery and distribution channels (which may include sales through online, postal or telephone channels where a non-face-to-face account opening approach is used and business sold through intermediaries) and the extent to which they are vulnerable to abuse for money laundering and terrorist financing;
- identify the client and verify the client's identity by reference to any documents, information or data from reliable and independent sources, and take steps from time to time to ensure that the client information obtained is up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose and which may indicate money laundering and terrorist financing;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the information from various lists that have been made known to them, as well as conduct comprehensive on-going screening of the client database; and
- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspicious financial or money laundering activities.

We set out below a brief summary of the principal legislation in Hong Kong that is concerned with anti-money laundering and counter-terrorist financing.

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

Among other things, the AMLO imposes on financial institutions (which include licensed corporations as defined under the SFO) certain requirements relating to customer due diligence and record-keeping. The AMLO empowers the relevant regulatory authorities to supervise compliance with the requirements under the AMLO. In addition, a financial institution must take all reasonable measures to (1) ensure that proper safeguards exist to prevent contravention of specific provisions in the AMLO, and (2) mitigate money laundering and terrorist financing risks.

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities by the competent authorities. It is an offence under the DTROP for a person to deal with any property knowing or having reasonable grounds to believe it to represent the proceeds from drug trafficking. The DTROP requires a person to report to an authorised officer if he/she knows or suspects that any property (in whole or in part directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) ("OSCO")

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organised crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organised and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences under the OSCO. The OSCO extends the money laundering offence to cover the proceeds from all indictable offences in addition to drug trafficking.

United Nations (Anti-terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) ("UNATMO")

Among other things, the UNATMO stipulates that it is a criminal offence to: (1) provide or collect property (by any means, directly or indirectly) with the intention or knowledge that the property will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any property or financial (or related) services available, by any means, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate, or collect property or solicit financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate. The UNATMO also requires a person to disclose his knowledge or suspicion of terrorist property to an authorised officer, and failure to make such disclosure constitutes an offence under the UNATMO.

9. Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) ("PDPO")

The PDPO imposes a statutory duty on data users to comply with the requirements of the six data protection principles (the "**Data Protection Principles**") contained in Schedule 1 to the PDPO. The PDPO provides that a data user shall not do an act, or engage in a practice, that contravenes a Data Protection Principle unless the act or practice, as the case may be, is required or permitted under the PDPO. The six Data Protection Principles are:

- Principle 1 — purpose and manner of collection of personal data;
- Principle 2 — accuracy and duration of retention of personal data;
- Principle 3 — use of personal data;
- Principle 4 — security of personal data;
- Principle 5 — information to be generally available; and
- Principle 6 — access to personal data.

Non-compliance with a Data Protection Principle may lead to a complaint to the Privacy Commissioner for Personal Data (the "Privacy Commissioner"). The Privacy Commissioner may serve an enforcement notice to direct the data user to remedy the contravention and/ or instigate prosecution actions. A data user who contravenes an enforcement notice commits an offence which may lead to a fine and imprisonment.

The PDPO also gives data subjects certain rights, inter alia:

- the right to be informed by a data user whether the data user holds personal data of which the individual is the data subject;
- if the data user holds such data, to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

The PDPO criminalises, including but not limited to, the misuse or inappropriate use of personal data in direct marketing activities, non-compliance with a data access request and the unauthorised disclosure of personal data obtained without the relevant data user's consent. An individual who suffers damage, including injured feelings, by reason of a contravention of the PDPO in relation to his or her personal data may seek compensation from the data user concerned.

10. The Money Lenders Ordinance

Money lenders and money-lending transactions in Hong Kong are regulated by the Money Lenders Ordinance. In general, any person who carries on business as a money lender must apply for and maintain a money lender's licence (valid for 12 months) granted by the licensing court under the Money Lenders Ordinance, unless any exemption under the Money Lenders Ordinance applies.

An application for or renewal of this licence is subject to any objection by the Registrar of Money Lenders (the role is presently performed by the Registrar of Companies) and the Commissioner of Police. The Commissioner of Police is responsible for enforcing the Money Lenders Ordinance, including carrying out examinations on applications for money lenders licences, renewal of licences and endorsements on licences, and is responsible for investigations of complaints against money lenders.

The register of licensed money lenders is currently kept in the Companies Registry of Hong Kong and is available for inspection. The Money Lenders Ordinance provides for protection and relief against excessive interest rates and extortionate stipulations in respect of loans by, for example, making it an offence for a person to lend money at an effective interest rate exceeding 60% per annum or extortionate provisions. It also stipulates various mandatory documentary and procedural requirements that are required to be observed by a money lender in order to enforce in the courts of law a lending agreement or security being the subject of the Money Lenders Ordinance.

Recently, the Companies Registry of Hong Kong has introduced more stringent licensing conditions on all money lender licences, with an aim to facilitate effective enforcement of the statutory ban on separate fee charging by money lenders and their connected parties, ensure better protection of privacy of intending borrowers, enhance transparency and disclosure and promote the importance of prudent borrowing. For example, one of the additional licensing conditions is that all money lenders should include a warning statement in their advertisements in relation to their money lending business, namely "Warning: You have to repay your loans. Don't pay any intermediaries".

The additional licensing conditions came into effect on 1 December 2016. The Companies Registry of Hong Kong also published a new "Guidelines on Additional Licensing Conditions of Money Lenders Licence" to provide guidance for money lender licensees on the requirements of the additional licensing conditions.

11. U.S. Foreign Account Tax Compliance Act ("*FATCA*")

The United States has enacted rules commonly referred to as FATCA that target U.S. taxpayers' use of non-U.S. accounts to evade U.S. federal tax. FATCA seeks to obtain information about accounts held by U.S. taxpayers in other countries by requiring non-US financial institutions ("FFIs") either to (i) enter into an agreement with the U.S. Internal Revenue Service ("IRS") to report to the IRS certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a minimum

ownership interest (a "FATCA Agreement") or (ii) comply with the requirements of an intergovernmental agreement between the United States and the government of the country in which the FFI conducts business operations (an "IGA").

FATCA imposes a 30% withholding tax on payments of certain income, including dividends and interest, from U.S. sources and, beginning in 2019, the gross proceeds of the disposal of assets that produce such U.S. source income, unless the recipient FFI has entered into a FATCA Agreement or is otherwise exempt or deemed complaint with FATCA, including by reason of compliance with the requirements of an applicable IGA and any implementing legislation. Beginning with payments made after the later of January 1, 2019 and the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register, an FFI may also be required to withhold under FATCA in respect of "foreign passthru payments" made to other FFIs that are not exempt from or in actual or deemed compliance with FATCA or to persons that are account holders of such FFI that fail to provide information sufficient to determine whether such person is exempt from FATCA withholding. An FFI or branch of an FFI established in a jurisdiction that has entered into an IGA, and which is treated as in compliance with the requirements of such IGA and any implementing legislation, generally is not subject to withholding under FATCA on any payments that it receives and is not expected to be required to withhold under FATCA or the relevant IGA on payments made to its account holders.

The governments of the United States and Hong Kong have entered into an IGA under which Hong Kong FFIs will register with the IRS and report the information required by FATCA about consenting U.S. accounts directly to the IRS. This information reporting requirement is supplemented by a government-to-government exchange of information agreement. The governments of the United States and the PRC have agreed in substance to an IGA under which PRC FFIs will report the information required under FATCA about U.S. accounts to the PRC, which in turn will report the information to the IRS. IGAs in other jurisdictions may also be applicable to our subsidiaries.

We and each of our subsidiaries intend to comply with FATCA, any applicable IGA and any applicable implementing legislation, including the information reporting requirements related to our accountholders and investors.

II. OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS OPERATIONS IN THE PRC

The key laws and regulations which relate to the Group's business operations in the PRC are summarised as follows:

1. Incorporation, Operation and Management of Enterprise

Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (中華人民共和國公司法) (the "PRC Company Law"), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會) (the "Standing Committee of the NPC") on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Pursuant to the PRC Company Law, companies are classified into limited liability companies and limited companies by shares. Foreign-invested companies, both limited liability companies and companies limited by shares, are also regulated by the PRC Company Law, except for where foreign-investment related laws prevail.

The Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "Wholly Foreign-owned Enterprise Law"), promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the "Implementation Regulations"), promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014 govern the establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour issue of a wholly foreign-owned enterprise.

The PRC government directs the foreign investment orientation of all types of enterprises in different industries within the territory of the PRC, manages investment programmes, and formulates and implements financial, taxation, credit, land, import, export and other policies by means of formulating the Catalogue of Industries for Guiding Foreign Investment, (外商投資產業指導目錄) (the "FI Catalogue"). The Catalogue of Industries for Guiding Foreign Investment (2015 Amendment) (外商投資產業指導目錄(2015年修訂)) was promulgated by the NDRC together with the MOFCOM on 10 March 2015 and became effective on 10 April 2015. The FI Catalogue divides industries into three categories: encouraged, restricted and prohibited. Unless otherwise stipulated by laws or regulations, a foreign investor may invest in industries that are not classified as prohibited.

According to the FI Catalogue (2015 Amendment), foreign investors are permitted to invest, on a wholly-owned basis, in asset management and financial advisory including investment advisory, financial advisory and advice on investment structures, etc., which are our principal business in the PRC.

Partnership Enterprise

The establishment, operation and management of partnership entities in China are governed by the Partnership Enterprise Law of the People's Republic of China (中華人民共和國合夥企業法) (the "PRC Partnership Enterprise Law"), which was promulgated by the Standing Committee of the NPC on 23 February 1997 and became effective on 1 August 1997. It was subsequently amended on 27 August 2006 and became effective on 1 June 2007. Pursuant to the PRC Partnership Enterprise Law, partnership enterprises are classified into general partnership enterprises and limited partnership enterprises. A limited partnership enterprise is formed by general partner(s) and limited partner(s) where every general partner shall be jointly and severally liable without limit for the debts of the partnership enterprise and limited partners shall liable for the debts of the partnership enterprise up to their subscribed capital contribution.

In order to regulate the registration of partnership entities, the State Council of the PRC promulgated the Measures of the People's Republic of China for the Administration of Partnership Enterprise Registration (中華人民共和國合夥企業登記管理辦法) on 19 November 1997 and became effective as of the date of promulgation. It was subsequently amended on 9 May 2007 and 19 February 2014. Pursuant to the Measures of the People's Republic of China for the Administration of Partnership Enterprise Registration (中華人民共和國合夥企業登記管理辦法), establishment registration, alteration registration, deregistration and registration of branches of partnership enterprises shall be conducted in accordance with different rules and requirements.

2. Labour and Safety

According to the PRC Labour Law (中華人民共和國勞動法), which was promulgated on 5 July 1994, became effective on 1 January 1995 and was amended on 27 August 2009, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Wages paid by employers may not be lower than the local minimum wage. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

The PRC Labour Contract Law (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and amended on 28 December 2012, and its implementation regulations were implemented on 18 September 2008. According to the Labour Contract Law, labour contracts must be executed in writing to establish labour relationships between employers and employees. Employees who fulfil certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Both employers and employees must perform their respective obligations stipulated in the labour contracts. Where workers are provided by a staffing company, the staffing company is the employer and performs the legal obligations of an employer toward the dispatched workers, including, among others, entering into a labour contract with a fixed term of more than two years with the workers and paying remuneration for their labour. The

staffing company must conclude a labour dispatch agreement with the entities that receive labour services. In the event of a violation of any legal provisions of the Labour Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labour administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licences and other penalties. The staffing company may be held jointly and severally liable together with the entity receiving workers from a staffing company in case harm is done to workers by the entity receiving workers.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) promulgated on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to basic pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, basic pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) effective on 3 April 1999, as amended on 24 March 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative centre of housing provident funds will impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative centre of housing provident funds will impose an order for payment within a prescribed time limit if such unit further fails to make payment within the aforesaid time limit, the centre shall have the right to apply for compulsory enforcement in court.

3. Business in relation to the Foreign-funded Equity Investment Management Enterprises

In accordance with the requirements of the Several Opinions on Implementing the Pilot Programme for Foreign-funded Equity Investment Enterprises in Shanghai (關於本市開展外商投資股權投資企業試點工作的若干意見), the Shanghai Municipal Financial Services Office, the Shanghai Municipal Commission of Commerce and the Shanghai Administration for Industry and Commerce formulated the Measures for Implementing the Pilot Programme for Foreign-funded Equity Investment Enterprises in Shanghai (關於本市開展外商投資股權投資企業試點工作的實施辦法) on 24 December 2010, which, together with aforementioned Opinions, established the regime for "foreign-funded equity investment management enterprise" in Shanghai.

In accordance with the Reply on the Relevant Policies Supporting the Development and Opening-up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (國務院關於支持深圳前海深港現代服務業合作區開發開放有關政策的批覆) issued by the State Council on 27 June 2012, the Shenzhen Financial Services Office, Economy, Trade and Information Commission of Shenzhen Municipality, Market and Quality Supervision Commission of Shenzhen Municipality and Administrative Commission of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone formulated the Provisional Measures for Implementing the Pilot Programme for Foreign-funded Equity Investment Enterprises in Shenzhen (關於本市開展外商投資股權投資企業試點工作的暫行辦法), which became effective in November 2012, and established similar regime for "foreign-funded equity investment management enterprise" as in Shanghai.

4. Qualified Domestic Investment Enterprise (QDIE) Business

On 8 December 2014, the General Office of the Shenzhen's Municipal Government issued to district governments and its affiliate institutions the Trial Measures on Shenzhen Pilot Scheme for Overseas Investment of Qualified Domestic Investors (關於開展合格境內投資者境外投資試點工作的暫行辦法) (the "QDIE Measures") as formulated by Shenzhen Municipal Financial Services Office. The QDIE Measures allows qualified fund management companies identified by the Shenzhen QDIE Pilot Programme Joint Committee (the "QDIE Managers") to establish and manage onshore investment vehicles (the "QDIE Funds") in making overseas investments. A QDIE Fund may take the form of a company, partnership or managed account. Only qualified domestic investors that satisfy the eligibility requirements under the QDIE Measures (the "Qualified Investors) may invest in a QDIE Fund.

Under the QDIE Measures, the QDIE Manager can be either foreign-invested or domestically-funded. The minimum registered capital (or subscribed capital) of a foreign-invested QDIE Manager is US$2 million (or the equivalent amount in other currencies) and that of a domestically-funded QDIE Manager is RMB10 million. At least 20% of the registered capital (or subscribed capital) of a QDIE Manager shall be paid up within three months from the date of issuance of its business licence, and the remaining shall be paid up within two years. The controlling shareholder (or the general partner) of the QDIE Manager or its affiliate must meet certain specified requirements, including having a licence to conduct investment management business, having fund management experience for more than three years, not having been subject to material punishment in the last two years, and satisfying other requirements on professional staff and governance structure.

The minimum size of a QDIE Fund at establishment is RMB30 million (or the equivalent amount in foreign currencies) and capital contribution must be made in cash. The number of investors in a QDIE Fund is limited and this depends on the specific form of the QDIE Fund in issue. For example, under the PRC Partnership Enterprise Law, there must be no more than fifty partners in a limited partnership.

For Qualified Investors, the net asset threshold for each institutional investor is RMB10 million while the financial asset threshold for each individual investor is RMB3 million. Pursuant to the QDIE Measures, financial assets include, but are not limited, to bank deposits, stocks, bonds, fund units, wealth management products, trust plans, insurance products, and interests in futures contracts. In addition, the minimum subscription amount per investor in a QDIE Fund is RMB2 million (or the equivalent amount in foreign currencies).

5. Corporate Governance and Risk Management of Private Investment Funds and Their Managers

Pursuant to the Securities Investment Fund Law of the People's Republic of China (中華人民共和國證券投資基金法), as adopted by the Standing Committee of the NPC on 28 October 2003 and subsequently amended on 28 December 2012 and 24 April 2015, the fund management institution for a non-publicly offered fund shall undergo registration formalities at the fund association according to the relevant provisions and submit basic information, and the measures for regulating fund management institutions for non-publicly offered funds shall be formulated by the financial regulatory authorities of the State Council in accordance with the principles established therein.

Pursuant to the Provisional Measures on Supervision and Administration of Private Investment Funds (私募投資基金監督管理暫行辦法), as promulgated by the CSRC on 21 August 2014, private investment funds shall mean investment funds which are established in the People's Republic of China by virtue of raising funds through non-public offering from investors, and various filing, registration and other obligations in relation to operation and performance shall be fulfilled by private investment funds and their managers.

Under the Provisional Measures on Supervision and Administration of Private Investment Funds (私募投資基金監督管理暫行辦法), managers of private investment funds shall apply to the Asset Management Association of China (中國證券投資基金業協會) (the "AMAC") for registration and submit required documents and information, and the AMAC would announce the list of managers of private investment funds and their basic information on its website, and process registration formalities for managers of private investment funds within 20 working days from receipt of the required complete registration materials. With respect to private investment

funds, their managers shall, upon completion of fundraising, submit the required information to complete filing formalities for the fund.

Pursuant to the Notice on Several Issues on the Further Supervision over Registration for Managers of Private Investment Funds (關於進一步規範私募基金管理人登記若干事項的公告) as issued by the AMAC on 5 February 2016, with the purposes of strengthening the supervision and self-examination of managers of private investment funds, the latest status of registration and filing information of managers could be accessed by the public and investors on an online platform operated by the AMAC. In addition, the aforementioned notice imposes more duties and obligations for managers of private investment funds on such aspects as information disclosure and requirements for senior management.

On 1 February 2016, the AMAC issued the Guidelines on the Internal Control of Managers of Private Investment Funds (私募投資基金管理人內部控制指引) with the purposes of guiding managers of private investment funds to strengthen internal control, promoting their compliance with laws and regulations and operation in good faith, improving their risk prevention capacities, and boosting the regulated development of the privately offered fund industry. Pursuant to the Guidelines for the Internal Control of Managers of Privately Offered Investment Funds (私募投資基金管理人內部控制指引), managers of private investment funds shall establish and organise a governance framework with sound structure, effective internal control, clear delineation of duties and responsibilities, effective cheque and balance supervision, and proper information disclosure, in accordance with the requirements of laws, such as Securities Investment Fund Law of the People's Republic of China and the Provisional Measures on Supervision and Administration of Private Investment Funds.

On 15 April 2016, the AMAC promulgated the Administrative Measures for the Fundraising by Private Investment Funds (私募投資基金募集行為管理辦法), which became effective on 15 July 2016, in order to govern and guide managers of private investment funds to conduct fundraising practices, including promotion of privately offered funds, sales of fund units (equity) and fund unit (equity) purchase/subscription and redemption (exit), in a proper manner without prejudice to the legitimate rights and interests of investors and the parties involved.

6. Exchange Control

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible. SAFE, under the authority of the PBOC, is responsible for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations of the People's Republic of China on the Administration of Foreign Exchange (中華人民共和國外匯管理條例), amended on August 5, 2008 with immediate effect, international payments and transfers are classified into current account items and capital account items. In the PRC, current international payments and transfers are not subject to approval from SAFE, while capital account items are.

According to the Regulations of the People's Republic of China on the Administration of Foreign Exchange, current account foreign exchange income may, in accordance with the relevant provisions of the state, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business, and where any foreign exchange income on capital account shall be retained or sold to a financial institution engaged in foreign exchange settlement and sales business, approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under state provisions. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, with the provision of valid receipts and proof of transactions. Pursuant to the Circular of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (中國人民銀行關於印發《結匯、售匯及付匯管理規定》的通知), foreign invested enterprises which need foreign exchange for the distribution of profits to shareholders, and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may with the provision of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, and with the submission of other required supporting documents, effect payment from

their foreign exchange account or convert and pay at the designated foreign exchange banks. Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is no longer subject to prior approval from SAFE or its relevant branches and shall be examined and handled by banks in accordance with such Notice and its Annex — Operating Guidelines for Foreign Exchange Business in Direct Investment (直接投資外匯業務操作指引).

This Appendix contains a summary of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. A copy of the Articles of Association is available for inspection at the address specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus.

The Articles of Association were conditionally adopted on 25 April 2017 and will be effective on the Listing Date. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, other ordinances, subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

The Company may exercise any powers conferred on the Company or permitted by or not prohibited by or not inconsistent with the Companies Ordinance or any other applicable ordinance, statute, act or law from time to time to buy back its own shares or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company; and should the Company buy back its own shares, neither the Company nor the Board shall be required to select the shares to be acquired rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares, provided always that any such acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time.

Subject to the Companies Ordinance, the Company may by ordinary resolution:

(a) subdivide any of its shares into larger number of shares than its existing number, provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to such new shares;

(b) consolidate any of its shares into smaller number of shares than its existing number; or

(c) cancel any shares which, at the date of the passing of the relevant resolution, have not been taken, or agreed to be taken, by any person, or have been forfeited in accordance with the Articles of Association.

The Company may by special resolution reduce its share capital in such manner as permitted by law.

MODIFICATION OF RIGHTS

The special rights attached to any class of shares may, subject to the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of holders of the shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up.

To every such separate general meeting, all the provisions of the Articles of Association relating to general meetings and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons present in person or by proxy together holding at least one-third of the total voting rights of holders of the shares of the class (but so that, if at any adjourned meeting a quorum as above defined is not present, any

one holder of shares of the class present in person or by proxy shall be a quorum) and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

TRANSFER OF SHARES

The instrument of transfer of any shares shall be in writing in any usual or common form or in such other form as may be prescribed by the Stock Exchange or in such other form as the Board may accept and may be executed under hand or, if the transferor or transferee is a recognised clearing house or its nominees, by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time and shall be executed by or on behalf of the transferor and by or on behalf of the transferee.

The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of Shareholders of the Company in respect thereof. Nothing in the Articles of Association shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

All instruments of transfer which shall be registered shall be retained by the Company if the Board decides to register the share transfer. The Board may at any time in its absolute discretion and without assigning any reason therefor decline to register any transfer of shares (not being fully paid up shares). The Board may also decline to register a transfer of shares (whether fully paid up or not) unless:

(a) the instrument of transfer is in respect of only one class of shares;

(b) in the case of a transfer to joint holders, the number of transferees does not exceed four;

(c) the shares concerned are free of any lien in favour of the Company;

(d) the instrument of transfer is properly stamped;

(e) such other conditions as the Board may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;

(f) a fee not exceeding the maximum fee prescribed or permitted from time to time under the Listing Rules is paid to the Company in respect thereof; and

(g) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

If the Board refuses to register a transfer, they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferor and the transferee notice of the refusal, provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, the Board must within the time period prescribed by the Companies Ordinance send the statement of the reasons or register the transfer.

OWNERSHIP OF SHARES

There is no provision in the Articles of Association on restrictions of ownership of shares in the Company.

GENERAL MEETINGS

The Company shall in each year hold its annual general meeting in accordance with the Companies Ordinance in addition to any other meetings in that year. The annual general meeting shall be held at such time and place as may be determined by the Board subject to the Articles of Association. All other general meetings shall be called extraordinary general meetings.

The Board may, whenever it thinks fit, or shall, on requisition from Shareholders in accordance with the Companies Ordinance, convene a general meeting.

NOTICE OF GENERAL MEETINGS

An annual general meeting shall be called with at least 21 days' notice in writing, and any other general meeting with at least 14 days' notice in writing. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and notice shall be given in the manner mentioned in the Articles of Association to all Shareholders other than those that are not entitled to receive such notices from the Company under the provisions of the Articles of Association.

Provided that a general meeting, notwithstanding that it has been called by notice shorter than that specified above, shall be deemed to have been duly called if it is so agreed:

(a) in the case of an annual general meeting, by all the Shareholders entitled to attend and vote at the meeting; and

(b) in the case of any other general meeting, by a majority in number of Shareholders having the right to attend and vote, being a majority together holding not less than 95% of the total voting rights of the Shareholders at the meeting.

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any general meeting.

Every notice calling a general meeting shall specify the place and the day and hour of the meeting and shall state prominently that a Shareholder entitled to attend and vote is entitled to appoint a proxy, who need not be a Shareholder, to attend and, on a poll, vote instead of him.

VOTING AT MEETINGS

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles of Association to any class of shares, on a show of hands every Shareholder who is present in person or by proxy shall have one vote, and on a poll, every Shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. On a poll, votes may be given either personally or by proxy, and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Any corporation which is a Shareholder may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Shareholders. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Shareholder and such corporation shall for the purposes of the Articles of Association be deemed to be present in person at any such meeting as if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a Shareholder, it may authorise or appoint such person(s) as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of the Company or at any meeting of any class of Shareholders, provided that, if more than one person is so authorised or appointed, the authorisation or instrument of proxy shall specify the number and class of shares in respect of which each such person is so authorised or appointed. A person so authorised or appointed shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual Shareholder including, where applicable, right to vote individually on a show of hands notwithstanding any contrary provisions contained in the Articles of Association.

Where any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

QUALIFICATION OF DIRECTORS

A Director shall not be required to hold any Shares. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at general meetings.

BORROWING POWERS

The Board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge the whole or any part of its undertaking, property and assets (both present and future) and uncalled capital of the Company, and to issue debentures, including debenture stock, and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. These provisions, in common with the Articles of Association in general, can be varied by a special resolution.

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

Subject to the provisions of the Articles of Association of Association and the Companies Ordinance, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. The Board shall have power at any time and from time to time to appoint any other person as a Director to fill a casual vacancy. Any Director so appointed shall hold office only until the next following general meeting and shall then be eligible for re-election.

At each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, or such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time, shall retire from office by rotation.

The Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment and so that as between persons who become or were last re-elected Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. A retiring Director shall be eligible for re-election. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Company may by ordinary resolution remove any Director before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between him and the Company (but without prejudice to any right to damages for termination of such agreement not in accordance with the terms thereof), and may, if thought fit, by ordinary resolution, appoint another person in his stead.

Without prejudice to the provisions for retirement by rotation contained in the Articles of Association, the office of a Director shall be vacated:

(a) if he becomes prohibited by law or court order from being a Director;

(b) if he becomes bankrupt or has a receiving order made against him or makes any arrangement or composition with his creditors;

(c) if he becomes of unsound mind;

(d) if he absents himself from the meetings of the Board during a continuous period of six months without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;

(e) if he gives the Company notice in writing that he resigns his office;

(f) if he is removed by an ordinary resolution; or

(g) if he is convicted of an indictable offence.

DIRECTORS' REMUNERATION AND EXPENSES

The fees payable to the Directors for their services will from time to time be determined by an ordinary resolution, except that any Director who holds office for only part of the period in respect of which such fees are payable will be entitled only in proportion to the period during which he has held office. Any Director who holds any executive office or who serves on any committee, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such additional remuneration by way of salary, commission or otherwise as the Board may determine.

The Board may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Board or of any committee of the Board or general meetings or otherwise in connection with the business of the Company.

DIRECTORS' INTERESTS

Subject to the provisions of the Companies Ordinance and the Articles of Association, no Director, alternate 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 contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director is a Shareholder or otherwise in any way directly or indirectly interested be liable on that account to be avoided, nor shall any Director so contracting or being such Shareholder or 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.

If a Director or any of his Connected Entities (which shall have the same meaning as that for "an entity connected with a director or former director of a company" set out in Section 486(1) of the Companies Ordinance) or his other associates is in any way, whether directly or indirectly, interested in a transaction, contract or arrangement or a proposed transaction, contract or arrangement with the Company that is significant in relation to the Company's business, the Director shall declare the nature and extent of such interest at a Board meeting, by notice in writing and sent to other Directors or by general notice in accordance with the Companies Ordinance.

Subject to the Listing Rules and save as provided in the Articles of Association, a Director shall not vote on any Board resolution approving any transaction, contract or arrangement or any other proposal whatsoever in which he or any of his close associates (and if required by the Listing Rules, his other associates) has any material interest otherwise than by virtue of his interests in shares, debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Subject to the Listing Rules, a Director shall, in the absence of any other material interest than is indicated below, be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters, namely:

(a) the giving of any security or indemnity to him or his close associate(s) (and if required by the Listing Rules, his other 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;

(b) 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 he or his close associate(s) (and if required by the

Listing Rules, his other associate(s)) has himself/themselves assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he or his close associate(s) (and if required by the Listing Rules, his other associate(s)) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting thereof;

(d) any proposal concerning any other company in which he or his close associate(s) (and if required by the Listing Rules, his other associate(s)) is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which he or his close associate(s) (and other associate(s), as the case may be) is/are beneficially interested in shares of that company, provided that he and any of his close associate(s) (and other associate(s), as the case may be) are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associate(s) (and other associate(s), as the case may be) is derived) or of the voting rights available to shareholders of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(e) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme which relates both to Directors (or his close associate(s)) (and if required by the Listing Rules, his other associate(s)) and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) (and other associate(s), as the case may be), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(f) any contract or arrangement in which the Director or his close associate(s) (and if required by the Listing Rules, his other 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.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case, each of the Directors concerned (if not debarred from voting under (d) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

Any Director may continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company in which the Company may be interested and (unless otherwise agreed) no such Director shall be accountable for any remuneration or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, executive directors, managers or other officers of such company) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be or about to be appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Any Director may act by himself or by his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing in the Articles of Association shall authorise a Director or his firm to act as the auditor of the Company.

DIVIDENDS

The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Board. All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed, and all dividends unclaimed for six years after having become payable may be forfeited by the Board and shall revert to the Company. The payment into a separate account of any monies payable in respect of a dividend shall not constitute the Company a trustee in respect thereof for any person.

Unless and to the extent that the rights attached to any Shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any Shares not fully paid up throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the Shares during any portion(s) of the period in respect of which the dividend is paid. No amount paid on a Share in advance of calls shall be treated as paid on the Share.

The Board may, if it think fit, from time to time, declare and pay such interim dividends as appear to the Board to be justified by the position of the Company. The Board may also declare and pay at half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if it is of the opinion that the position of the Company justifies the payment.

The Board can offer Shareholders the right to choose to receive extra Shares, which are credited as fully paid up, instead of some or all of their cash dividend. The basis of such allotment shall be determined by the Board and the Board shall give notice in writing to the Shareholders of their rights of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective. The Shares allotted shall rank *pari passu* in all respects with the fully paid Shares then in issue save only as regards participation in the relevant dividend or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

The Board may resolve that dividend or capital distribution be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular any shares or securities of any other company, provided always that no distribution shall be made which would amount to a reduction of capital except in the manner provided by law. For the purpose of giving effect to any such distribution as aforesaid, the Board may settle any difficulty which may arise in regard to the distribution as it thinks fit, and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any such specific assets and may determine that cash payments shall be made to any Shareholder in whole or in part upon the footing of the value so fixed in order to adjust the rights of all parties and the Board may vest any such specific assets or cash in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend or capital distribution and such appointment shall be effective.

No dividend shall be payable except out of profits or reserves available for distribution, and no dividend or other monies payable on or in respect of a Share shall bear interest as against the Company.

INDEMNITY

Subject to and so far as may be permitted by the Companies Ordinance, every Director, company secretary or other officer of the Company shall be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company or any company that is the Company's subsidiary or holding company or a subsidiary of the Company's holding company ("**Associated Company**") and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he

is acquitted or in connection with any application under any ordinance for relief from liability in respect of any such act or omission in which relief is granted to him by the Court.

Subject to and so far as may be permitted by the Companies Ordinance, the Company may purchase and maintain for any officer of the Company:

(a) insurance against any liability to the Company, an Associated Company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or an Associated Company; and

(b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or an Associated Company.

WINDING UP

If the Company shall be wound up, the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Ordinance, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like authority, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributions as the liquidator with the like authority shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in Hong Kong as a private company with limited liability on 3 June 1998 under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) then in force under the name "BCOM Securities Company Limited (交通證券有限公司)". Its name was changed to "BOCOM International Holdings Company Limited (交銀國際控股有限公司)" on 2 May 2007. On 19 April 2017, the Company was converted to a public company with limited liability.

The registered office of the Company is at 9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

A summary of the relevant sections of the Articles of Association of the Company is set out in *"Appendix IV — Summary of Articles of Association"*.

2. Changes in the Share Capital of the Company

As at the date of incorporation of the Company, the authorised share capital of the Company was HK$10,000 divided into 10,000 shares of HK$1 each. 98 shares and two shares of HK$1 each were allotted and issued for cash to the two initial subscribers of the Company, BOCOM (Nominee) and Expectation Investment, respectively.

The following alterations in the share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

(a) on 31 May 1999, the authorised share capital of the Company was increased to HK$20,000,000 divided into 20,000,000 shares of HK$1 each, 19,599,902 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash and 399,998 shares of HK$1 each were allotted and issued to Expectation Investment for cash;

(b) on 31 May 2000, the authorised share capital of the Company was increased to HK$25,000,000 divided into 25,000,000 shares of HK$1 each, 4,900,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash and 100,000 shares of HK$1 each were allotted and issued to Expectation Investment for cash;

(c) on 11 November 2003, the authorised share capital of the Company was increased to HK$100,000,000 divided into 100,000,000 shares of HK$1 each and 35,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash;

(d) on 26 January 2004, 15,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash;

(e) on 9 November 2004, the authorised share capital of the Company was increased to HK$300,000,000 divided into 300,000,000 shares of HK$1 each and 100,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash;

(f) on 16 May 2006, the authorised share capital of the Company was increased to HK$500,000,000 divided into 500,000,000 shares of HK$1 each and 325,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash;

(g) on 18 September 2007, the authorised share capital of the Company was increased to HK$1,000,000,000 divided into 1,000,000,000 shares of HK$1 each and 300,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash;

(h) on 23 January 2008, 200,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash;

(i) on 1 June 2009, the authorised share capital of the Company was increased to HK$2,000,000,000 divided into 2,000,000,000 shares of HK$1 each and 500,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash; and

(j) on 18 September 2009, 500,000,000 shares of HK$1 each were allotted and issued to BOCOM (Nominee) for cash.

Pursuant to the Companies Ordinance, with effect from 3 March 2014, companies incorporated in Hong Kong no longer have an authorised share capital and there is no longer the concept of par value in respect of issued shares.

As a consequence of the foregoing transactions, as at the Latest Practicable Date, a total of 2,000,000,000 Shares have been issued with BOCOM (Nominee) and Expectation Investment holding 99.975% and 0.025% of the issued share capital of the Company, respectively.

Save as disclosed above and in "*Appendix V — Statutory and General Information*" below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written Resolutions of the Shareholders passed on 25 April 2017

On 25 April 2017, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "*Structure of the Global Offering — Conditions of the Global Offering*" and pursuant to the terms set out therein:

(1) the Company approved and adopted the amended and restated Articles of Association with effect from the Listing Date;

(2) the Global Offering was approved and the Directors, or a committee of Directors duly authorised by the Directors, were authorised to allot and issue new Shares pursuant to the Global Offering;

(3) the Listing was approved and the Directors, or a committee of Directors duly authorised by the Directors, were authorised to implement the Listing;

(4) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors pursuant to the Articles of Association to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph (5) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, (II) the end of the period within which the Company is required by the Articles of Association or any applicable laws to hold its

next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"), and the Directors were authorised to exercise the powers of the Company referred to above in respect of the share capital of the Company referred to in paragraph (B) above; and

(5) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase the Shares 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) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering and at such price or prices as may be determined by the Directors, provided the purchase price shall not be 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange, and otherwise in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, (II) the end of the period within which the Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

4. Subsidiaries

Details of the subsidiaries of the Company are set out in *"Appendix I — Accountant's Report*".

The following subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
BOCOM International Global Investment 2 Limited	British Virgin Islands	13 May 2015
BOCOM International Global Investment 3 Limited	British Virgin Islands	13 May 2015
BOCOM International Prosperity Investment Limited	British Virgin Islands	10 July 2015
BOCOM International Advance Investment Limited	British Virgin Islands	10 July 2015
BOCOM International Equity Investment Management (Shenzhen) Company Limited	PRC	3 February 2016
BOCOM International Futures	Hong Kong	15 January 2016
BOCOM International Triumph Investment Limited	British Virgin Islands	21 March 2017
BOCOM International Supreme Investment Limited	British Virgin Islands	21 March 2017
BOCOM International Radiant Investment Limited	British Virgin Islands	21 March 2017
BOCOM International Balance Investment Limited	British Virgin Islands	21 March 2017
BOCOM International Apex Investment Limited	British Virgin Islands	21 March 2017
BOCOM International Universal Investment Limited	British Virgin Islands	21 March 2017

On 29 March 2016, 45,000,000 shares in the share capital of BOCOM International Asset Management were allotted and issued to the Company for a cash consideration of HK$45,000,000.

Save as set out above and in *"Appendix I — Accountant's Report"*, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

5. Repurchases by the Company of its own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange 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.

(ii) Source of Funds

Repurchases of shares by a listed company must be funded out of funds legally available for the purpose in accordance with the constitutive documents of the listed company, the Listing Rules and the applicable laws and regulations of the listed company's jurisdiction of incorporation. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline

for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchase of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid for such repurchases.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his shares to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing Shares, the Company may only apply funds lawfully available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, 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 position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 2,666,680,000 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to approximately 266,668,000 Shares being repurchased by the Company during the period prior to:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the end of the period within which the Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting; or

(iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make any repurchases of Shares pursuant to the repurchase mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save for the foregoing, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of the Company has notified the Company that he or 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 Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) the cornerstone investment agreement dated 26 April 2017 and entered into amongst the Company, Kaiser Private Equity Fund SPC, in respect of SP I, a segregated portfolio of Kaiser Private Equity Fund SPC, Kaiser Financial Group Company Limited and BOCOM International Securities pursuant to which Kaiser Private Equity Fund SPC, in respect of SP I, a segregated portfolio of Kaiser Private Equity Fund SPC agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of US$30,000,000;

(c) the cornerstone investment agreement dated 26 April 2017 and entered into amongst the Company, WOO Po Shing and BOCOM International Securities pursuant to which WOO Po Shing agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of HK$156,000,000;

(d) the cornerstone investment agreement dated 26 April 2017 and entered into amongst the Company, Taiping Trustees Limited and BOCOM International Securities pursuant to which Taiping Trustees

Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of HK$100,000,000;

(e) the cornerstone investment agreement dated 26 April 2017 and entered into amongst the Company, Da Cheng International Asset Management Company Limited, acting as the investment manager of the National Council for Social Security Fund, and BOCOM International Securities pursuant to which Da Cheng International Asset Management Company Limited, acting as the investment manager of the National Council for Social Security Fund, agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of US$10,000,000; and

(f) the cornerstone investment agreement dated 26 April 2017 and entered into amongst the Company, Shandong Gold Financial Holdings Group (Hong Kong) Co., Limited, BOCOM International Securities and Haitong International Securities Company Limited pursuant to which Shandong Gold Financial Holdings Group (Hong Kong) Co., Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of US$10,000,000.

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

(a) Trademarks

As at the Latest Practicable Date, the Group had applied for the registration of the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Application Number	Application Date
1.	交銀國際 BOCOM International 交银国际 BOCOM International	36	The Company	Hong Kong	303935692	19 October 2016
2.	交銀國際 交银国际 交銀國際 交銀國際	36	The Company	Hong Kong	304032765	25 January 2017

(b) Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names:

No.	Domain Name	Registered Owner	Expiry Date
1.	www.bocomgroup.com	The Company	20 April 2020
2.	www.hkbocom.com	The Company	12 December 2018
3.	www.bcomsec.com.hk	The Company	Nil
4.	www.bocomgroup.com.hk	BOCOM International Securities	13 September 2019
5.	www.bocomgroup.com.cn	The Company	13 September 2019
6.	www.bocominternational.com	The Company	13 September 2019
7.	www.bocominternational.com.hk	BOCOM International Securities	13 September 2019
8.	www.bocominternational.com.cn	The Company	13 September 2019

C. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Disclosure of Interests

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) 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 interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long Position in Shares of Associated Corporations

Name of Director	Number of Shares	Nature of Interest	Approximate Percentage
BOCOM (H Shares)			
TAN Yueheng	100,000	beneficial owner	0.00%
LI Ying	173,000	beneficial owner	0.00%
CHENG Chuange	20,000	beneficial owner	0.00%
LIN Zhihong	4,000	beneficial owner	0.00%
SHOU Fugang	20,000	beneficial owner	0.00%
BOCOM (A Shares)			
TAN Yueheng	100,000	beneficial owner	0.00%
CHENG Chuange	40,000	beneficial owner	0.00%
WANG Yijun	30,000	beneficial owner	0.00%
LIN Zhihong	40,000	beneficial owner	0.00%
SHOU Fugang	40,000	beneficial owner	0.00%

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the Global Offering, have an interest and/or short position (as applicable) in the Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) 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 interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

2. Particulars of Letters of Appointment and Service Contracts

Each Director has entered into a letter of appointment in relation to his/her role as a director of the Company, which is subject to termination by the Director or the Company in accordance with the terms of the letter of appointment, the requirements of the Listing Rules and the provisions relating to the retirement and rotation of the Directors under the Articles of Association. The term of appointment of each Director commenced on 31 October 2016 and ends on 30 October 2019.

Pursuant to the terms of the letters of appointment, the annual director's fees payable by the Company to each of the independent non-executive Directors are HK$360,000 and no director's fees are payable to the other Directors.

Each Director is entitled to be indemnified by the Company (to the extent permitted under the Articles of Association and applicable laws) and to be reimbursed by the Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any 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)).

3. Directors' Remuneration

For details of the Directors' remuneration, see "*Directors and Senior Management — Directors' Remuneration and Remuneration of Five Highest Paid Individuals*".

4. Agency Fees or Commissions Received

The Underwriters will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in *"Underwriting — Underwriting Arrangements and Expenses — Commissions and Expenses"*. Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in *"Appendix V — Statutory and General Information"* below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

5. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

6. Further Information on Directors

Ms. LIN Zhihong was a supervisor of Shanghai Jinyin Economic Development Co., Ltd. (上海錦銀經濟發展有限公司) ("**Shanghai Jinyin**"), which was a company incorporated in the PRC. Due to the change in Shanghai Jinyin's business focus and development strategies, the board of directors of Shanghai Jinyin approved a resolution on 17 January 2004 to voluntarily apply for deregistration of Shanghai Jinyin, and the deregistration took effect on 17 September 2004.

Mr. LIN Zhijun was a director of The Association of International Financial Managers Limited (國際財務經理協會有限公司) ("**TAIFML**") which was a private company incorporated in Hong Kong. Due to its inactive operations of publishing an academic magazine, TAIFML was struck off from the Companies Register by the Registrar of Companies of Hong Kong and was accordingly dissolved with effect from 30 April 2010.

7. Disclaimers

(a) None of the Directors nor any of the experts referred to in *"Appendix V — Statutory and General Information — Qualifications and Consents of Experts"* below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date 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.

(b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in *"Appendix V — Statutory and General Information — Other Information — Qualifications and Consents of Experts"* below, 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.

(c) 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)).

(d) Save as disclosed in *"Relationship with the BOCOM Group"*, neither BOCOM, BOCOM (Nominee), Bank of Communications Trustee Limited, Kiu Fai Company Limited, Expectation Investment nor the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

(f) Save as disclosed in *"Business"*, so far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers of the Group. The Group has no major suppliers due to the nature of its business.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong.

2. The Joint Sponsors

Other than acting as a Joint Sponsor, China International Capital Corporation Hong Kong Securities Limited ("**CICCHKS**")'s holding company, China International Capital Corporation Limited ("**CICC**"), is acting as a financial adviser of BOCOM in connection with the Company's spin-off application process pursuant to the requirement imposed by the CSRC pursuant to the Notice on Relevant Issues on the Supervision over Overseas Listing of Enterprises Held by Domestically Listed Companies (關於規範境內上市公司所屬企業到境外上市有關問題的通知) and CICCHKS has certain transactions with members of the BOCOM Group. Notwithstanding the above, considering that (i) the work of financial adviser is a restricted one purely to satisfy the regulatory requirements imposed by the CSRC and the role of financial adviser of CICC is not in conflict with CICCHKS' role as an independent sponsor for the Listing; (ii) those transactions undertaken by CICCHKS with members of the BOCOM Group are within ordinary course of business of CICCHKS and are on arms' length basis; and (iii) the aggregate fees from the service of financial adviser and the aforesaid transactions are immaterial, CICCHKS satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Haitong International Capital Limited and China Securities (International) Corporate Finance Company Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

BOCOM International (Asia) Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules as it is a subsidiary of the Company, and is therefore a close associate of the Company.

The Joint Sponsors will receive an aggregate fee of HK$6.80 million for acting as the sponsors for the Listing.

3. Registration Procedures

The register of members of the Company will be maintained in Hong Kong by the Company. All transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's share register in Hong Kong.

4. Preliminary Expenses

The total preliminary expenses of the Company were approximately HK$8,780 and were paid by the Company.

5. Promoter

The Company has no promoter. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
BOCOM International (Asia) Limited	Licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
China International Capital Corporation Hong Kong Securities Limited	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
Haitong International Capital Limited	Licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities
China Securities (International) Corporate Finance Company Limited	Licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
King & Wood Mallesons	PRC legal adviser
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer and consultant

Each of BOCOM International (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Capital Limited, China Securities (International) Corporate Finance Company Limited, PricewaterhouseCoopers, King & Wood Mallesons and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

7. 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Miscellaneous

(a) Save as disclosed in *"History and Corporate Structure"*, *"Share Capital"*, *"Structure of the Global Offering"* and in this Appendix, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of the Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) None of BOCOM International (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Capital Limited, China Securities (International) Corporate Finance Company Limited, PricewaterhouseCoopers, King & Wood Mallesons or Jones Lang LaSalle Corporate Appraisal and Advisory Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.

(g) No company within the Group is presently listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.

(h) The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.

(i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

10. Non-Statutory Financial Information

The financial information contained in this Prospectus does not constitute the Company's statutory annual consolidated financial statements for any of the financial years ended 31 December 2014, 2015 and 2016 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

(a) The Company was not required to deliver and has not delivered the financial statements for the financial years ended 31 December 2014 and 2015 to the Registrar of Companies in Hong Kong as the Company was a private company at the relevant times. The Company will deliver the financial statements for the year ended 31 December 2016 to the Registrar of Companies in Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance in due course;

(b) The Company's auditor has reported on these financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **BLUE** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in *"Appendix V — Statutory and General Information"*;

(c) the written consents referred to in *"Appendix V — Statutory and General Information"*; and

(d) the statement of adjustments to the Accountant's Report set out in "*Appendix I — Accountant's Report*" which was reported on by PricewaterhouseCoopers.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, 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 Articles of Association of the Company;

(b) the Accountant's Report and the report on the unaudited pro forma financial information issued by PricewaterhouseCoopers, the texts of which are set out in *"Appendix I — Accountant's Report"* and *"Appendix II — Unaudited Pro Forma Financial Information"*, respectively;

(c) the statement of adjustments to the Accountant's Report set out in "*Appendix I — Accountant's Report*" which was reported on by PricewaterhouseCoopers;

(d) the audited consolidated financial statements of the Group for each of the years ended 31 December 2014, 2015 and 2016;

(e) the legal opinion issued by King & Wood Mallesons, the Company's PRC legal adviser, in respect of certain aspects of the Group;

(f) an opinion letter issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Company's independent property valuer and consultant, in relation to the fairness of the terms of certain lease agreements referred to in "*Connected Transactions*";

(g) the letters of appointment referred to in *"Appendix V — Statutory and General Information"*;

(h) the material contracts referred to in *"Appendix V — Statutory and General Information"*; and

(i) the written consents referred to in *"Appendix V — Statutory and General Information*".

交銀國際
BOCOM International