

LFG Investment Holdings Limited

LFG 投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3938

SHARE OFFER

Joint Sponsors



Joint Global Coordinators and Joint Bookrunners



IMPORTANT

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



LFG Investment Holdings Limited LFG 投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 72,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares : 7,200,000 Shares (subject to reallocation)
Number of Placing Shares : 64,800,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price : Not more than HK\$1.7 per Offer Share and expected to be not less than HK\$1.3 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 3938

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Other Joint Lead Managers



Co-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 in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility 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 Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or about Friday, 20 September 2019, and in any event no later than Thursday, 26 September 2019. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Thursday, 26 September 2019, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$1.7 per Offer Share and is currently expected to be not less than HK\$1.3 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.lfgogroup.hk not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in "Risk Factors".

Prospective investors of the Offer Shares should note that the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) are entitled to terminate their obligations under the Public Offer Underwriting Agreement by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Monday, 30 September 2019) upon the occurrence of any of the events set forth in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination". It is important that you refer to that section for further details.

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

No information on any website forms part of this prospectus.

17 September 2019

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.legogroup.hk.

2019⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Friday, 20 September	
Latest time for lodging WHITE and YELLOW Application Forms		12:00 noon on Friday, 20 September
Latest time to give electronic application instructions to HKSCC ⁽³⁾		12:00 noon on Friday, 20 September
Application lists close ⁽²⁾	12:00 noon on Friday, 20 September	
Expected Price Determination Date ⁽⁴⁾	Friday, 20 September	
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.legogroup.hk ⁽⁵⁾ on or before		Friday, 27 September
Announcement of results of allocations (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Public Offer Shares — 10. Publication of results" including the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.legogroup.hk ⁽⁵⁾ from		Friday, 27 September
Results of allocations in the Public Offer to be available at www.ewhiteform.com.hk/results with a "search by ID" function from		Friday, 27 September
Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer ^{(6), (8)} on or before		Friday, 27 September
Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer ^{(7), (8)} on or before		Friday, 27 September
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on		Monday, 30 September

EXPECTED TIMETABLE

- (1) All dates and times refer to Hong Kong local dates and times. Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer”.
- (2) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 September 2019, the application lists will not open and close on that day. See “How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the Application Lists”.
- (3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS”.
- (4) The Offer Price is expected to be determined on or about Friday, 20 September 2019, and in any event no later than Thursday, 26 September 2019. If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Thursday, 26 September 2019, the Share Offer will not become unconditional and will lapse immediately.
- (5) None of the website or any of the information contained on the website forms part of this prospectus.
- (6) Share certificates will only become valid at 8:00 a.m. on Monday, 30 September 2019 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 27 September 2019. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the company’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to the Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their CCASS Investor Participant stock account or the stock account of their designated CCASS Participant as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies — Personal collection — (iii) If you apply via electronic application instructions to HKSCC” for details.

If an applicant has applied for less than 1,000,000 Public Offer Shares, the Share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant’s own risk) to the address specified on the Application Form.

EXPECTED TIMETABLE

Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms.

Further information is set out in "How to Apply for Public Offer Shares — 12. Refund of application monies" and "How to Apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies".

The above expected timetable is a summary only. For further details of the structure and conditions of the Share Offer, see "Structure and Conditions of the Share Offer".

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any securities 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 for the purposes of a public offering 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. Our Company has not authorised any persons to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made nor contained in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers, representatives or affiliates, or any other persons or parties involved in the Share Offer.

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SUMMARY

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 including the appendices hereto before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide whether to invest in the Offer Shares.

OVERVIEW

We are an active financial services provider in Hong Kong which engages in the provision of (i) corporate finance advisory services; (ii) underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services.

Our service offerings mainly comprise the following:

- **Corporate finance advisory services:** acting as a sponsor to companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process; acting as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or Takeovers Code; acting as an independent financial adviser to independent board committees and independent shareholders of listed companies in Hong Kong rendering recommendations and opinions; and acting as a compliance adviser to listed companies in Hong Kong advising them on post-listing compliance matters;
- **Underwriting services:** acting as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acting as an underwriter or a placing agent for secondary market transactions;
- **Securities dealing and brokerage services:** providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange and in other overseas markets; and (ii) other services including script handling and settlement services, account maintenance services, nominee and corporate action services, investor relations and related services;
- **Securities financing services:** providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs; and
- **Asset management services:** offering investment advisory and asset management services which cater to different investment objectives and risk appetites of our clients.

Our diversified business portfolio allows us to create synergies between our business lines, generate new business opportunities for each business segment and provide integrated financial services to clients.

SUMMARY

We operate our business through our main operating subsidiaries, namely Lego Corporate Finance, Lego Securities and Lego Asset Management. We commenced our corporate finance advisory business after Lego Corporate Finance was granted with the SFC licence to carry on Type 6 (advising on corporate finance) regulated activity in January 2016. We commenced our underwriting business (in March 2017), securities dealing and brokerage business (in March 2017) and securities financing business (in December 2017) after Lego Securities was granted with the SFC licence to carry on Type 1 (dealing in securities) regulated activity in January 2017 and was admitted as a Stock Exchange Participant and a CCASS direct clearing participant in March 2017. We commenced our asset management business after Lego Asset Management was granted with the SFC licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities in March 2019. We aim at providing a full-service platform for our clients with integrated financial services tailored to their varying needs.

The table below sets out the revenue generated from each of our business segments during the Track Record Period.

	Year ended 31 March					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Corporate finance advisory services	78,582	100.0	93,108	88.8	91,596	77.3
Underwriting services	—	—	9,300	8.9	20,985	17.7
Securities dealing and brokerage services	38	—	2,405	2.3	5,560	4.7
Securities financing services	—	—	2	—	296	0.3
Total	<u>78,620</u>	<u>100.0</u>	<u>104,815</u>	<u>100.0</u>	<u>118,437</u>	<u>100.0</u>

(i) Corporate finance advisory services

The table below sets out a breakdown of revenue generated from our corporate finance advisory business during the Track Record Period.

	Year ended 31 March					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
IPO sponsorship services	31,205	39.7	39,832	42.8	38,542	42.1
Financial advisory services	36,276	46.2	35,922	38.6	34,738	37.9
Independent financial advisory services	5,096	6.5	7,782	8.3	8,364	9.1
Compliance advisory services	6,005	7.6	9,572	10.3	9,952	10.9
Total	<u>78,582</u>	<u>100.0</u>	<u>93,108</u>	<u>100.0</u>	<u>91,596</u>	<u>100.0</u>

SUMMARY

IPO sponsorship services

During the Track Record Period, we completed 15 IPO sponsorship projects on the Main Board or GEM. We recognised IPO sponsorship income of approximately HK\$31.2 million, HK\$39.8 million and HK\$38.5 million for the three years ended 31 March 2019, respectively, representing approximately 39.7%, 38.0% and 32.5% of our total revenue for the respective years. For the three years ended 31 March 2019, the number of IPO sponsorship projects which we had recognised revenue were 13, 17 and 24, respectively. As at the Latest Practicable Date, we were engaged in 20 ongoing IPO sponsorship projects, of which nine were proposed Main Board IPOs, seven were proposed GEM IPOs and four were proposed transfer of listing from GEM to Main Board.

Financial advisory and independent financial advisory services

For the three years ended 31 March 2019, we were engaged in a total of 77, 80 and 104 financial advisory and independent advisory projects. For the three years ended 31 March 2019, our financial advisory fee income (generated from both financial advisory and independent financial advisory services) amounted to approximately HK\$41.4 million, HK\$43.7 million and HK\$43.1 million, respectively, representing approximately 52.7%, 41.7% and 36.4% of our total revenue for the respective years. As at 31 March 2019, we were engaged in 37 ongoing financial advisory and independent financial advisory projects.

Compliance advisory services

During the Track Record Period, all clients of our completed IPO sponsorship projects engaged us as a compliance adviser. For the three years ended 31 March 2019, our compliance advisory fee amounted to approximately HK\$6.0 million, HK\$9.6 million and HK\$10.0 million, respectively, representing approximately 7.6%, 9.1% and 8.4% of our total revenue for the respective years. As at 31 March 2019, we were engaged in 17 ongoing compliance advisory projects.

(ii) Underwriting services

We completed nil, six and 10 underwriting projects for the three years ended 31 March 2019, respectively. Of the aforesaid projects, the maximum fund raising size of GEM underwriting projects and Main Board underwriting projects ranged from approximately HK\$64.0 million to approximately HK\$103.0 million and from approximately HK\$100.0 million to approximately HK\$523.8 million, respectively. For the three years ended 31 March 2019, underwriting commission from our underwriting business amounted to nil, approximately HK\$9.3 million and HK\$21.0 million, respectively, representing nil, approximately 8.9% and 17.7% of our total revenue for the respective years.

During the Track Record Period, we did not complete any secondary market fund raising project, either as a placing or sub-placing agent or otherwise.

SUMMARY

(iii) Securities dealing and brokerage services

For the three years ended 31 March 2019, brokerage commission and other related service fee income generated from our securities dealing and brokerage business was approximately HK\$38,000, HK\$2.4 million and HK\$5.6 million, respectively, representing approximately 0.05%, 2.3% and 4.7% of our total revenue for the respective years.

(iv) Securities financing services

Our securities financing services include margin financing and IPO financing. For the three years ended 31 March 2019, the interest income generated from our securities financing business amounted to nil, approximately HK\$2,000 and HK\$0.3 million.

We offer margin financing to our clients by providing them with margin loans which are repayable on demand with the securities held under margin accounts maintained with us as collaterals. Margin financing offers funding flexibility to our clients by enabling them to leverage their investments. As at the Latest Practicable Date, the outstanding balance of our margin loans amounted to approximately HK\$4.2 million.

We also provide IPO financing to clients for subscription of shares offered under the public tranche of IPOs. During the Track Record Period, we had provided IPO financing to our clients of approximately HK\$25.6 million in aggregate for nine IPOs. As at the Latest Practicable Date, we had no outstanding loan balance due from our clients in relation to IPO financing.

(v) Asset management services

We provide investment advisory and asset management services through Lego Asset Management. We launched an open-ended, multi-class fund, namely, Lego Vision Fund SP, with the investment objective to achieve long-term capital growth through investment in equity and fixed income securities while minimising volatility of the portfolio in April 2019. It is the objective of the fund to invest in a portfolio consisting primarily of equities, bonds and other securities and will primarily invest in Greater China and the U.S. markets. We invested US\$1.5 million (equivalent to approximately HK\$11.7 million) into Lego Vision Fund SP as seed money in March 2019. As at 31 August 2019, the AUM of Lego Vision Fund SP was approximately US\$3.5 million (equivalent to approximately HK\$27.2 million). We also launched another open-ended fund, namely Lego China Special Opportunities Fund SP in June 2019. It is the strategy of Lego China Special Opportunities Fund SP to identify quality companies to invest in for long-term investment, with focus on the quality of management, the strength of franchise, the structure of balance sheet, the long-term growth prospects of the company and the market valuation accorded to the business. As at 31 August 2019, the AUM of Lego China Special Opportunities Fund SP was approximately US\$0.5 million (equivalent to approximately HK\$3.9 million).

We did not generate revenue from our asset management business during the Track Record Period.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths: (i) we are an active financial services provider with a proven track record; (ii) we offer a wide range of financial services through an integrated platform; (iii) we have a strong client base; (iv) we have a team of experienced and loyal management and professionals; and (v) we adopt a prudent compliance and risk management system. See “Business — Competitive strengths” for further details.

OUR BUSINESS STRATEGIES

We aim to continue our business growth through the following strategies: (i) continue to develop our underwriting business and further strengthen our corporate finance advisory business; (ii) develop our asset management business; and (iii) develop our securities financing business. See “Business — Business strategies” for further details.

KEY FINANCIAL AND OPERATIONAL DATA

Selected information from combined statements of profit or loss and other comprehensive income

The following table sets forth the selected information from our combined income statements for the years indicated.

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	78,620	104,815	118,437
Other income and gains	3	3	286
Administrative and other expenses	(9,241)	(13,482)	(18,020)
Staff costs	(25,432)	(30,234)	(40,585)
Profit before income tax	43,950	61,102	60,118
Income tax expense	(8,070)	(9,977)	(11,104)
Profit and total comprehensive income for the year	35,880	51,125	49,014
<i>Non-HKFRS Measures</i>			
Profit and total comprehensive income for the year	35,880	51,125	49,014
Add:			
Listing expenses	—	—	2,070
Share-based payment expenses	—	—	730
Adjusted profit and total comprehensive income for the year ⁽¹⁾	35,880	51,125	51,814

SUMMARY

- (1) Adjusted profit and total comprehensive income for the year is derived by excluding the Listing expenses and share-based payment expenses. The term of adjusted profit and total comprehensive income is not defined under the HKFRSs. The adjusted profit and total comprehensive income for the year was presented because our Directors believe that it is an useful supplement to the combined statements of profit or loss and other comprehensive income as it reflects our profitability from our operations without taking into consideration of the non-recurring Listing expenses and share-based payment expenses. However, the adjusted profit and total comprehensive income for the year should not be considered in isolation or construed as an alternative to profit and total comprehensive income for the year prepared in accordance with HKFRSs, or as an alternative to cash flows as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should be aware that the adjusted profit for the year presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

We recorded accumulated losses of approximately HK\$1.8 million and HK\$2.6 million as at 31 March 2017 and 2018, respectively, due to the early adoption of HKFRS 15. The audited financial statements of Lego Corporate Finance for the two years ended 31 March 2018, and the audited financial statements of Lego Securities for the two years ended 31 March 2018 were prepared under HKAS 18 “Revenue”, while our combined financial statements for the years ended 31 March 2017 and 2018 as set out in Appendix I to this prospectus were prepared under HKFRS 15 “Revenue from Contracts with Customers”. All HKFRSs effective for the accounting period commencing from 1 April 2016, together with the relevant transitional provisions of HKFRS 9 “Financial Instrument” and HKFRS 15 “Revenue from Contracts with Customers” and the related amendments, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. Certain revenue of Lego Corporate Finance for the two years ended 31 March 2018 initially recognised under HKAS 18 were adjusted and deferred to be recognised under HKFRS 15, which caused our combined retained earnings recorded under HKAS 18 became accumulated losses recorded under HKFRS 15 as at 31 March 2017 and 2018 as set out in Appendix I to this prospectus. Nevertheless, the early adoption of HKFRS 15 did not create actual or material impact on our Group’s financial position and performance as a whole.

For further details, see “Financial Information — Summary of results of operations — Combined statements of profit or loss and other comprehensive income”.

Selected information from combined statements of financial position

The following table sets out the selected information from combined statements of financial position of our Group as at the dates indicated.

	As at 31 March		
	2017	2018	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Current assets	33,397	50,075	103,865
Current liabilities	16,396	24,092	47,899
Net current assets	17,001	25,983	55,966

For further details, see “Financial Information — Net current assets”.

SUMMARY

Selected information from combined statements of cash flows

The following table sets out the selected information from combined statements of cash flows of our Group for the years indicated:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at beginning of year	7,000	27,834	35,688
Net cash generated from operating activities	47,110	51,384	36,874
Net cash used in investing activities	(2,576)	(530)	(1,405)
Net cash used in financing activities	(23,700)	(43,000)	(18,971)
Net increase in cash and cash equivalents	20,834	7,854	16,498
Cash and cash equivalents at end of year	27,834	35,688	52,186

For further details, see “Financial Information — Liquidity and capital resources”.

Key financial ratios

The table below sets out a summary of certain financial ratios of our Group for the years/as at the dates indicated.

	Year ended/as at 31 March		
	2017	2018	2019
Net profit margin (%)	45.6	47.9	41.4
Current ratio	2.0	2.1	2.2
Gearing ratio	—	—	—
Return on assets (%)	97.1	95.2	45.9
Return on equity (%)	174.6	175.2	83.3

For further details, see “Financial Information — Key financial ratios”.

SUMMARY

OUR CLIENTS AND SUPPLIERS

The clients of our corporate finance advisory business and underwriting business mainly comprise listing applicants and listed companies in Hong Kong and their respective shareholders, as well as private companies and investors. The clients of our securities dealing and brokerage business and securities financing business include corporate, professional and retail investors. The clients of our asset management business are professional investors. For the three years ended 31 March 2019, revenue generated from our top five clients, in aggregate, accounted for approximately 40.8%, 41.4% and 45.9% of our total revenue, respectively. For the same periods, revenue from our largest client accounted for approximately 14.2%, 14.7% and 14.0% of our total revenue, respectively. Due to the nature of our principal business activities, we have no major suppliers.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.5 (being the mid-point of the indicative range of the Offer Price from HK\$1.3 to HK\$1.7 per Offer Share), the total net proceeds from the Share Offer (after deducting underwriting fees and related expenses in connection with the Share Offer) are estimated to be approximately HK\$88.0 million. Our Directors presently intend that the net proceeds from the Share Offer will be applied as follows:

- approximately HK\$53.6 million or 60.9% for the expansion of our underwriting business, of which approximately HK\$50.0 million or 56.8% will be used to increase our capital base to meet the minimum liquid capital requirement under the FRR and approximately HK\$3.6 million or 4.1% will be used to expand our ECM team by recruiting up to three additional staff, including one Responsible Officer of director grade and two Licensed Representatives of manager and executive grade, respectively;
- approximately HK\$12.0 million or 13.6% as seed money to establish a new fund under our asset management business with an expected initial AUM of US\$10.0 million (equivalent to approximately HK\$77.8 million) to be launched in the first half of 2020;
- approximately HK\$8.0 million or 9.1% for increasing our capital base for the expansion of our securities financing business;
- approximately HK\$5.6 million or 6.4% for the development of our corporate finance advisory business by recruiting up to six additional staff, including one Responsible Officer/sponsor principal and five Licensed Representatives ranging from director grade to executive grade; and
- approximately HK\$8.8 million or 10.0% for our working capital requirement and general corporate purposes.

SUMMARY

OFFER STATISTICS

	Based on an Offer Price of	
	HK\$1.3 per Offer Share	HK\$1.7 per Offer Share
Market capitalisation ⁽¹⁾	HK\$520 million	HK\$680 million
Unaudited pro forma adjusted combined net tangible assets per Share ⁽²⁾	HK\$0.34	HK\$0.41

(1) All statistics in this table are based on the assumption that the Over-allotment Option, the options which have been granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Share Option Scheme are not exercised. The calculation of market capitalisation of the Shares is based on 400,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer.

(2) See “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details regarding the assumptions and calculation basis.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2020 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. Assuming the Offer Price of HK\$1.5 per Offer Share, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised, the total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$20.0 million (excluding a sponsor fee payable to Lego Corporate Finance and an underwriting commission payable to Lego Securities, which will be eliminated in our combined financial statements). Among the estimated total Listing expenses, (i) approximately HK\$8.6 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$11.4 million has been and is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$2.1 million has been recognised for the year ended 31 March 2019, and the remaining of approximately HK\$9.3 million is expected to be recognised for the year ending 31 March 2020. The estimated Listing expenses are subject to adjustments based on the actual amount of expenses incurred or to be incurred by us upon completion of the Listing.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), approximately 74.87% of the issued share capital of our Company will be owned by Lego Financial Group, which is a company owned by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau as to approximately 90.38%, 3.74%, 3.74%, 1.07% and 1.07%, respectively. In this regard, Lego Financial Group, Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau are a group of Controlling Shareholders. For further details, see “Relationship with our Controlling Shareholders”.

SUMMARY

PRE-IPO SHARE OPTION SCHEME

Following the adoption of the Pre-IPO Share Option Scheme on 6 March 2019, an aggregate of 33,041,054 options have been conditionally granted under the Pre-IPO Share Option Scheme. 346,433 of such options granted to a former employee and former director of a subsidiary of our Group lapsed on 27 August 2019. The remaining 32,694,621 options representing approximately 8.17% of our Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), were granted to 43 Grantees, including (i) eight Connected Grantees; (ii) two other members of our senior management team; (iii) 32 other employees of our Group; and (iv) a consultant to our Group.

The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is HK\$0.6 per Share. No further options are expected to be granted under the Pre-IPO Share Option Scheme.

As at the Latest Practicable Date, 32,694,621 options granted under the Pre-IPO Share Option Scheme were not exercised and remained outstanding. Assuming full vesting and exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by approximately 7.56% as calculated based on 432,694,621 Shares then in issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme) and the dilution effect on our earnings per Share would be approximately 7.56%.

In addition, we are required to recognise share-based payment expenses. The share-based payment expenses recognised for the year ended 31 March 2019 amounted to approximately HK\$0.7 million. We estimate that the share-based payment expenses to be recognised in the three years ending 31 March 2022 for the options granted under the Pre-IPO Share Option Scheme will amount to approximately HK\$5.6 million, HK\$2.1 million and HK\$0.5 million, respectively.

Further information on the principal terms of the Pre-IPO Share Option Scheme and the Grantees are set forth in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (a) Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of all the Shareholders passed on 10 September 2019, we have conditionally adopted the Share Option Scheme. No option has been granted under the Share Option Scheme. The principal terms of the Share Option Scheme are set forth in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (b) Share Option Scheme” in Appendix IV to this prospectus.

SUMMARY

PRE-IPO INVESTMENTS

On 25 February 2019, Lego Investment Holdings and Mr. Mui entered into a subscription agreement with the Pre-IPO Investors, pursuant to which the Pre-IPO Investors agreed to subscribe for and Lego Investment Holdings agreed to allot and issue an aggregate of 24 shares of Lego Investment Holdings at an aggregate consideration of HK\$4,612,500. The consideration was properly and legally completed and settled by the Pre-IPO Investors on 25 February 2019 by payments made by the Pre-IPO Investors to Lego Corporate Finance, the designated nominee of Lego Investment Holdings. As at the Latest Practicable Date, the proceeds from the Pre-IPO Investments have been fully utilised as working capital of our Group. The allotment and issue of 24 shares of Lego Investment Holdings to the Pre-IPO Investors were completed on 25 February 2019. The Pre-IPO Investors became shareholders of our Company upon completion of the Reorganisation and will in aggregate hold approximately 1.92% interest in our Company upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme). See “History, Reorganisation and Group Structure — Reorganisation” for further details.

DIVIDEND

For the three years ended 31 March 2019, we declared and paid dividend of approximately HK\$36.0 million, HK\$52.0 million and HK\$24.6 million, respectively. On 10 September 2019, our Company declared and paid dividend of HK\$6.0 million. For further details, see note 10 and part III of the Accountants’ Report as set out in Appendix I to this prospectus.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for the corresponding financial year after Listing, subject to the consideration factors aforementioned.

COMPETITIVE LANDSCAPE

The financial service industry in Hong Kong is highly competitive with a large number of participants in the market. As at 30 June 2019, there were 333 licensed corporations and 35 registered institutions licensed to carry on Type 6 (advising on corporate finance) regulated activity, and 1,397 licensed corporations and 115 registered institutions licensed to carry on Type 1 (dealing in securities) regulated activity in Hong Kong. With the increasing number of listed companies in Hong Kong, equity fund raising on the Stock Exchange has been substantial. IPOs have been a main source of equity

SUMMARY

funding. Our Directors believe that competition in this market is primarily based on quality and scope of services, market reputation, business network, pricing, human and financial resources. For details of the competitive landscape of the financial service industry in Hong Kong, see “Industry Overview”.

HIGHLIGHTS OF RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Share Offer. We believe the most significant risks we face include:

- given a majority of our revenue for the Track Record Period was generated on a project-by-project basis and is non-recurring in nature, our revenue and profitability are highly unpredictable;
- the more stringent assessment and closer scrutiny on suitability for listing and “shell activities” by the regulators may adversely affect our revenue and profitability;
- we may be unable to successfully implement or implement in full our future business plans;
- our business depends on the continued services of our key management and professional personnel. Failure to retain and motivate them or to attract suitable replacements may adversely affect our operations;
- our financial results relied on Mr. Mui from whom significant portion of new projects of our corporate finance advisory business originated during the Track Record Period;
- we may be unable to receive mandated payments in a timely manner or in full if milestone events stipulated in our mandates for IPO sponsorship, financial advisory and underwriting services are not achieved as stipulated or if client withdraws from or terminates the transaction;
- any deterioration of our IPO sponsorship business may adversely affect our other financial services business;
- our future financial performance and ability to succeed may be difficult to predict given that our operating history in the financial and securities services industry in Hong Kong is relatively short; and
- we are subject to market and financial risks arising from our underwriting business if the securities underwritten by us are undersubscribed.

A detailed discussion of all the risk factors involved is set out in “Risk Factors”. You should read the whole section carefully before you decide to invest in the Offer Shares.

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RECENT DEVELOPMENT

We set out below our business developments subsequent to the Track Record Period:

- **Corporate finance advisory services:** As at the Latest Practicable Date, we were engaged in 20 ongoing IPO sponsorship projects, of which nine were proposed Main Board IPOs, seven were proposed GEM IPOs and four were proposed transfer of listing from GEM to Main Board. In respect of financial advisory services, we completed 14 projects and were engaged in 21 new projects subsequent to the Track Record Period and up to the Latest Practicable Date. In respect of independent financial advisory services, we completed 19 projects and were engaged in 24 new projects subsequent to the Track Record Period and up to the Latest Practicable Date. In respect of compliance advisory services, we completed five projects and were engaged in two new projects subsequent to the Track Record Period and up to the Latest Practicable Date.
- **Underwriting services:** Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed five underwriting projects as (i) an underwriter in a rights issue of a listed company; (ii) a sub-underwriter in a spin-off and separate listing transaction; (iii) an underwriter in a Main Board IPO; and (iv) a sub-underwriter in two Main Board IPOs.
- **Securities dealing and brokerage services:** For the four months ended 31 July 2019, the income generated from securities dealing and brokerage services was approximately HK\$118,000.
- **Securities financing services:** For the four months ended 31 July 2019, the income generated from securities financing services was approximately HK\$29,000.
- **Asset management services:** We launched Lego Vision Fund SP and Lego China Special Opportunities Fund SP in April and June 2019, respectively. As at 31 August 2019, the AUM of Lego Vision Fund SP and Lego China Special Opportunities Fund SP were approximately US\$3.5 million (equivalent to approximately HK\$27.2 million) and approximately US\$0.5 million (equivalent to approximately HK\$3.9 million), respectively.

Based on our unaudited consolidated financial statements, our revenue and operating profit for the four months ended 31 July 2019 decreased compared with those for the same period in 2018. We recognised less revenue generated from our IPO sponsorship and underwriting services for the four months ended 31 July 2019, mainly because we did not complete any IPO sponsorship project during the four months ended 31 July 2019, while we completed one IPO sponsorship project and the corresponding underwriting service during the same period in 2018. Our staff costs for the four months ended 31 July 2019 increased as compared to the same period in 2018, mainly due to the increase in headcount for our corporate finance and asset management teams. Notwithstanding, taking into consideration that the listing applications in relation to seven of our ongoing IPO sponsorship projects (excluding the proposed listing of our Company and transfer of listing projects) were submitted as at 31 July 2019 (31 July 2018: two projects), and the Listing Committee hearing for one of which was convened in August 2019, our Directors expect that the revenue to be generated from our IPO sponsorship and the corresponding underwriting services will pick up in the second half of the year ending 31 March 2020 when these ongoing IPO sponsorship projects as at the Latest Practicable Date

SUMMARY

progressively complete according to their timeframe. As disclosed in “Risk Factors — Risk relating to our business”, since our sponsor fee, financial advisory fee and underwriting fee are generally negotiated on a project-by-project basis, therefore may fluctuate from time to time and may not recur. The number of projects undertaken by us, the total revenue derived from our services and the revenue generated from each client are affected by numerous factors, such as market condition, the terms of each engagement, project duration and complexity of each project, therefore, our financial performance may fluctuate from period to period.

In particular, our revenue may be adversely affected by the more stringent assessment and closer scrutiny on suitability for listing and “shell activities” by the regulators, which may result in decreased demand for our IPO sponsorship services and financial advisory services in relation to disposal of controlling interests in listed companies (“**Share Sale Transaction(s)**”). Both the Stock Exchange and the SFC have recently published guidance letters and statement advocating the heightened review of listing applications and closer scrutiny on backdoor listing, in an effort to crackdown on “shell activities”.

In April 2018, the Stock Exchange updated the Guidance Letter HKEX-GL68-13A on IPO vetting and suitability for listing, setting out additional guidance on its qualitative assessment on new listing applicants’ suitability for listing on the Stock Exchange, which involves factors of (i) whether a listing of the applicant is consistent with its business strategy; (ii) the specific use of proceeds in relation to the applicant’s past and future business development; (iii) whether the listing applicant has genuine funding need; (iv) whether there is a commercial rationale for its listing; and (v) whether the listing applicant is likely to invite speculative trading upon listing or to be acquired for its listing status. In March 2019, the Listing Decision HKEX-LD121-2019 was published, which showed a marked increase of 24 rejected listing applications in 2018, as compared to just three rejected listing applications in 2017.

On 26 July 2019, the SFC published a statement on its approach to backdoor listings and “shell activities”, emphasising its statutory powers and readiness to take action against the relevant persons under the Stock Market Listing Rules, by objecting to listing applications and/or directing the Stock Exchange to suspend trading in shares of listed companies. Pursuant to the said statement, in deciding whether to exercise its power of investigation under the SFO or the Stock Market Listing Rules in cases involving backdoor listings and “shell activities”, it will consider any red flag (i) indicating a possible scheme designed to mislead regulators and/or the investing public or to circumvent applicable rules; or (ii) suggesting that other forms of serious misconduct have been or will be committed. See “Regulatory Overview — Recent development of the regulatory regime in respect of suitability for listing of new listing applicants, backdoor listings and continuing listing criteria” for details of the recent development of the aforesaid regulatory regime.

Hence, the demand for our IPO sponsorship services and financial advisory services in relation to Share Sale Transactions, which are of non-recurring nature and higher margin, as compared to our other financial services, and the success rate of such projects, may decrease, which will in turn adversely affect our profitability and sustainability of our business. During the Track Record Period, we completed five Share Sale Transactions projects, the revenue of which accounted for approximately 38.4%, 34.6% and 3.8% of our total revenue derived from corporate finance advisory services, excluding IPO sponsorship services, for the three years ended 31 March 2019, respectively.

SUMMARY

The Hong Kong financial market in the first half of 2019 remained volatile against the backdrop of the Sino-US trade dispute and the slowing global economic growth momentum. The market continued to be sensitive to uncertainties, such as the U.S. interest rate outlook, outcome of Brexit and recent social unrest in Hong Kong. Based on information on the Stock Exchange's website, there were 92 completed IPOs for the eight months ended 31 August 2019, which represented a decrease of approximately 35.7% as compared to 143 completed IPOs during the same period in 2018. The demand for corporate finance advisory and underwriting services in the industry, including our business, is heavily dependent on the market conditions. Any adverse market condition or market sentiment will affect clients' decision on the scale, timing and platform in respect of their fund raising needs, which may lead to lower demand for, delay to or termination of fund raising activities and our services and in turn affect the financial performance of our corporate finance advisory and underwriting businesses. If we are unable to continuously secure new sizable mandates, or if the market conditions become unfavourable, our business and results of operations may be materially and adversely affected. Nevertheless, during the four months ended 31 July 2019, we secured 34 new engagements for our corporate finance advisory services, as compared to 29 new engagements during the same period in 2018. Our Directors consider that our project pipeline remains healthy and robust.

Further, as disclosed in "Financial Information — Listing expenses" and "Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (a) Pre-IPO Share Option Scheme" in Appendix IV to this prospectus, our net profit for the year ending 31 March 2020 is expected to be materially and adversely affected by the estimated expenses in relation to the Listing and the options granted under the Pre-IPO Share Option Scheme.

While our project pipeline remains healthy and robust, our Directors expect our net profit for the year ending 31 March 2020 may be lower in comparison to the year ended 31 March 2019 primarily due to (i) the underwriting commissions to be received for the year ending 31 March 2020 may be lower than the underwriting commission we received in the previous year in view of the recent market condition; (ii) our staff costs for the year ending 31 March 2020 is expected to increase as compared to the previous year due to higher number of headcounts; and (iii) we expect to incur larger amount of share-based payment expenses and Listing expenses in the year ending 31 March 2020.

Our Directors confirm that, save as disclosed above, since 31 March 2019 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position, and there had been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus
“Anti-Money Laundering Guideline”	the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) published by the SFC in November 2018
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the second amended and restated articles of association of our Company conditionally adopted on 10 September 2019 to take effect on the Listing Date and as amended from time to time, a summary of which is set out in “2. Articles of Association” in Appendix III to this prospectus
“Authorised Institution(s)”	a bank, a restricted licence bank or a deposit-taking company authorised under the Banking Ordinance
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board” or “our Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in “Further information about our Group — 4. Written resolutions of all the Shareholders passed on 10 September 2019” in Appendix IV to this prospectus
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Cayman Islands Principal Registrar”	Conyers Trust Company (Cayman) Limited, the principal share registrar of our Company in the Cayman Islands

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEO”	the chief executive officer of our Company
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Co-lead Managers”	Excel Precise Securities Limited and Bonus Eventus Securities Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	LFG Investment Holdings Limited (LFG 投資控股有限公司) (formerly known as Lego Financial Group Holdings Limited (力高金融集團控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 21 June 2018
“Connected Grantee(s)”	the Grantee(s) who are connected persons of our Company, being our four executive Directors, Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho, and four other connected persons of our Company, Ms. Lau, Mr. Li Wing Chung, Mr. Leung Ho Pong Ronald and Mr. Choy Kwong Wa Christopher

DEFINITIONS

“Controlling Shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho, Ms. Lau and Lego Financial Group
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 10 September 2019 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “Other information — 15. Tax and other indemnities” in Appendix IV to this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“FATCA”	the Foreign Account Tax Compliance Act
“Fit and Proper Guidelines”	the Fit and Proper Guidelines published by the SFC in October 2013
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Grantee(s)”	the 43 grantees (excluding one grantee whose options lapsed on 27 August 2019) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, including the Connected Grantees, other members of our senior management team and other employees of our Group
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or as the case may be their predecessors
“Guidelines on Competence”	the Guidelines on Competence published by the SFC in March 2003
“Guidelines on Continuous Professional Training”	the Guidelines on Continuous Professional Training published by the SFC in March 2003

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“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKEX”	the Hong Kong Exchanges and Clearing Limited
“HKFRS”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the branch share registrar of our Company in Hong Kong
“Independent Third Party(ies)”	a person(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected (within the meaning of the Listing Rules) with our Company or our connected persons
“Internal Control Guidelines”	the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission published by the SFC in April 2003
“Joint Bookrunners” or “Joint Global Coordinators”	Elstone Securities Limited and Lego Securities Limited
“Joint Lead Managers”	Elstone Securities Limited, Lego Securities Limited, Kingsway Financial Services Group Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Shanxi Securities International Limited
“Joint Sponsors”	Lego Corporate Finance and TUS Corporate Finance
“Latest Practicable Date”	8 September 2019, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus

DEFINITIONS

“Lego Asset Management”	Lego Asset Management Limited (力高資產管理有限公司), a company incorporated in Hong Kong with limited liability on 6 April 2017 and an indirect wholly-owned subsidiary of our Company upon Listing. It is a licensed corporation under the SFO permitted to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities
“Lego Asset Management (Cayman)”	Lego Asset Management (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 12 February 2019 and an indirect wholly-owned subsidiary of our Company upon Listing
“Lego Corporate Finance”	Lego Corporate Finance Limited (力高企業融資有限公司), a company incorporated in Hong Kong with limited liability on 30 July 2015 and an indirect wholly-owned subsidiary of our Company upon Listing. It is a licensed corporation under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity, and is one of the Joint Sponsors
“Lego Finance”	Lego Finance Limited (力高財務服務有限公司), a company incorporated in Hong Kong with limited liability on 6 April 2017 and a wholly-owned subsidiary of Lego Financial Group
“Lego Financial Group”	Lego Financial Group Limited (力高金融集團有限公司), a company incorporated in the BVI with limited liability on 22 July 2015, and owned by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau as to approximately 90.38%, 3.74%, 3.74%, 1.07% and 1.07%, respectively, and a Controlling Shareholder of our Company
“Lego Funds SPC”	Lego Funds SPC Limited, a segregated portfolio company incorporated in the Cayman Islands with limited liability on 14 February 2019, of which all voting shares are indirectly held by our Company upon Listing. It is registered as a mutual fund in the Cayman Islands on 13 March 2019
“Lego Investment Holdings”	Lego Financial Group Investment Holdings Limited (力高金融集團投資控股有限公司), a company incorporated in the BVI with limited liability on 15 March 2018 and a direct wholly-owned subsidiary of our Company upon Listing

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“Lego Securities”	Lego Securities Limited (力高證券有限公司) (formerly known as Century Securities Company Limited (百年證券有限公司)), a company incorporated in Hong Kong with limited liability on 27 June 2016 and an indirect wholly-owned subsidiary of our Company upon Listing. It is a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activity
“Licensing Handbook”	the Licensing Handbook published by the SFC in February 2019
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	Monday, 30 September 2019, being the expected date on which dealings in our Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum” or “Memorandum of Association”	the third amended and restated memorandum of association of our Company adopted on 10 September 2019, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“Mr. Liu”	Mr. Liu Chi Wai (廖子慧), an executive Director and a Controlling Shareholder of our Company
“Mr. Mui”	Mr. Mui Ho Cheung Gary (梅浩彰), the chairman of our Board, an executive Director, the CEO and a Controlling Shareholder of our Company
“Mr. Ng”	Mr. Ng Siu Hin Stanley (吳肇軒), an executive Director and a Controlling Shareholder of our Company
“Mr. Wong”	Mr. Wong Wing Shing (黃永成), a Shareholder and an Independent Third Party
“Ms. Ho”	Ms. Ho Sze Man Kristie (何思敏), an executive Director and a Controlling Shareholder of our Company

DEFINITIONS

“Ms. Lau”	Ms. Lau Pui Yu (劉珮瑜), the head of compliance of our Group and a Controlling Shareholder of our Company
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Public Offer Shares are to be subscribed for pursuant to the Public Offer and the Placing Shares are to be offered pursuant to the Placing, as further described in “Structure and Conditions of the Share Offer — Pricing and allocation — Determining the Offer Price”
“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s) together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company under the Placing Underwriting Agreement to the Placing Underwriters, exercisable in full or in part by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 10,800,000 additional Shares (representing 15% of the number of Offer Shares initially offered under the Share Offer) at the Offer Price to cover over-allocations in the Placing, if any, as further described in “Structure and Conditions of the Share Offer — Over-allotment Option”
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company to professional institutional and/or other investors for cash at the Offer Price as described in “Structure and Conditions of the Share Offer”
“Placing Shares”	the 64,800,000 Shares being initially offered by our Company for subscription pursuant to the Placing together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in “Structure and Conditions of the Share Offer”
“Placing Underwriters”	the underwriters of the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing which is expected to be entered into on the Price Determination Date by our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in “Underwriting — Underwriting arrangements and expenses — Placing”

DEFINITIONS

“PRC” or “China”	the People’s Republic of China and, except where the context requires and only for the purpose of this prospectus, references to the PRC or China do not apply to Taiwan, Hong Kong and Macau
“Pre-IPO Investment Agreement”	the subscription agreement dated 25 February 2019 entered into among the Pre-IPO Investors, Lego Investment Holdings and Mr. Mui in relation to the subscription of an aggregate of 24 ordinary shares of Lego Investment Holdings by the Pre-IPO Investors at an aggregate consideration of HK\$4,612,500
“Pre-IPO Investment(s)”	the investment(s) made by the Pre-IPO Investor(s) pursuant to the Pre-IPO Investment Agreement, details of which are set out in “History, Reorganisation and Group Structure — Pre-IPO Investments”
“Pre-IPO Investors”	Mr. Fong Kam Hung, Mr. Lau Wan Ki, Mr. Ma Ching Yan, Mr. Sung Pui Yu and Mr. Wan Wing Yui, all of whom were employees of our Group as at the Latest Practicable Date, and “Pre-IPO Investor” means any one of them
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company pursuant to a resolution in writing passed by the then sole Shareholder on 6 March 2019 as described in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (a) Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Date”	the date on which the Offer Price will be fixed for the purpose of the Public Offer, which is expected to be on or about Friday, 20 September 2019, and in any event no later than Thursday, 26 September 2019
“Public Offer”	the offering of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) on the terms and subject to conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 7,200,000 Shares being initially offered by our Company for subscription by the public in Hong Kong at the Offer Price as set out in “Structure and Conditions of the Share Offer”
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in “Underwriting — Public Offer Underwriters”

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 16 September 2019 relating to the Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters, particulars of which are summarised in “Underwriting — Underwriting arrangements and expenses — Public Offer”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Group Structure — Reorganisation”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution in writing passed by all the Shareholders on 10 September 2019 as described in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (b) Share Option Scheme” in Appendix IV to this prospectus
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Share Option Scheme
“Sponsor Guidelines”	the Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers set out in Appendix I to the Fit and Proper Guidelines
“sq. ft.”	square feet
“Stabilising Manager”	Elstone Securities Limited

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Lego Financial Group and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 10,800,000 Shares to cover any over-allocations in the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Participant(s)”	corporation(s) licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO which, in accordance with the Listing Rules, may trade on or through the Stock Exchange and the name of which is entered in a list, register or roll kept by the Stock Exchange as person(s) 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
“Stock Market Listing Rules”	the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“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 period comprising the three years ended 31 March 2019
“TUS Corporate Finance”	TUS Corporate Finance Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and is one of the Joint Sponsors
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$” or “US dollars”	United States dollar(s), the lawful currency of the United States

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) for use by the public in Hong Kong who require such Public Offer Shares to be issued in the applicants’ own names
“ YELLOW Application Form(s)”	the application form(s) for use by the public in Hong Kong who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

In this prospectus, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)”, “subsidiary(ies)” and “substantial shareholder(s)” 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 adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures in such tables.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“AE(s)”	account executive(s)
“AUM”	the amount of assets under management
“BSS”	the Broker Supplied System, being a front office solution either developed in-house by the Stock Exchange Participant or a third-party software package acquired from commercial vendors, enabling the Stock Exchange Participant to connect its trading facilities to the open gateway to conduct trading
“CAGR”	compound annual growth rate
“Chinese Wall”	theoretical barrier to ensure that non-public material information regarding listed companies which is obtained in one department is not released to another department. The Chinese wall aims to isolate those persons who make investment decisions from those who are privy to non-public material information which may influence those decisions
“compliance adviser”	any corporation or authorised financial institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor appointed under the Listing Rules or the GEM Listing Rules to undertake work as a compliance adviser
“ECM”	equity capital markets
“House Account(s)”	securities trading accounts opened with us that are not Referred Account(s)
“HSI”	Hang Seng Index
“IPO(s)”	initial public offering(s), the listing of a company’s shares on a stock exchange
“IPO sponsorship project(s)”	IPO project(s) and transfer of listing project(s), unless otherwise stated
“IT”	information technology
“JFIU”	Joint Financial Intelligence Unit

GLOSSARY OF TECHNICAL TERMS

“KYC”	know your client
“Licensed Representative(s)”	an individual who is granted a licence under section 120(1) or 121(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited
“loan-to-margin ratio”	the ratio of the total amount of margin loan balance to the marginable 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
“High Water Mark”	the greater of (i) the subscription price per share of Lego Vision Fund SP or Lego China Special Opportunities Fund SP (as the case may be) of the relevant class and series at the time of issue of that share of Lego Vision Fund SP or Lego China Special Opportunities Fund SP (as the case may be) (or in the case of shares issued during the initial offer period, the initial offer price); or (ii) the highest net asset value per share of Lego Vision Fund SP or Lego China Special Opportunities Fund SP (as the case may be) of the relevant class and series (after accrual of the respective performance fee and/or management fee for the performance period) in the relevant performance period
“M&A”	mergers and acquisitions
“margin financing”	the provision of collateral by investors to securities firms (which are qualified for margin financing business) to borrow funds for, among others, securities purchases
“professional investor(s)”	professional investor(s) which is/are prescribed under the Professional Investor Rules under section 134 of the SFO
“Referred Account(s)”	securities trading account(s) opened with us whose holders are referred by our sales team
“regulated activity(ies)”	any of the regulated activity(ies) specified in Part 1 of Schedule 5 to the SFO, and a reference to a type of regulated activity by number shall be construed as a reference to the type of regulated activity of that number as specified in that Part
“Responsible Officer(s)”	Licensed Representative(s) who is/are also approved as a responsible officer under section 126 of the SFO to supervise one or more than one regulated activity of a licensed corporation to which he/she/they is/are accredited

GLOSSARY OF TECHNICAL TERMS

“sponsor principal(s)”

Responsible Officer(s) or executive director(s) appointed by the sponsor to be in charge of the supervision of the team appointed to carry out a listing assignment

“T+2”

two trading days from the relevant transaction day

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements relating to our plans, intentions, beliefs, objectives, expectations and predictions, which are, by their nature, subject to significant risks, uncertainties and assumptions which are beyond our control. We use words “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “predict”, “project”, “propose”, “potential”, “seek”, “should”, “will”, “would”, “with a view to” and the negatives of these terminologies and similar expressions, as they relate to us, to identify forward-looking statements in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- future developments, trends and conditions in the industry and the geographical markets in which we operate;
- our strategies, plans and objectives and our various measures to implement or achieve such strategies, plans and objectives;
- the future development of the Hong Kong, PRC and global financial and securities markets;
- our ability to meet the changing needs of our clients;
- our dividend policy;
- our financial condition;
- our needs for capital;
- the future competition environment; and
- our ability to recruit and retain employees and personnel.

We make these forward-looking statements based on current plans and estimates and they speak only as of the date they were made. Although our Directors confirm that these forward-looking statements are made after due and careful consideration, these forward-looking statements are not a guarantee of future performance. We can give no assurance that these views will prove to be correct. We caution you that the actual outcomes may differ, or differ materially, from those expressed in any forward-looking statements by a number of important factors, including, without limitation:

- changes in the laws, rules and regulations of the central and local governments in the countries in which we operate and the rules, regulations and policies of the relevant government authorities relating to all or any aspects of our business or operations;
- changes in the global and domestic economic, political, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices; and
- the risk factors set forth under “Risk Factors” as well as other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Given a majority of our revenue for the Track Record Period was generated on a project-by-project basis and is non-recurring in nature, our revenue and profitability are highly unpredictable

During the Track Record Period, our revenue was primarily derived from our corporate finance advisory and underwriting businesses. The revenue generated from our corporate finance advisory business for the three years ended 31 March 2019 amounted to approximately HK\$78.6 million, HK\$93.1 million and HK\$91.6 million, respectively, representing 100.0%, approximately 88.8% and 77.3% of our total revenue for the respective years and the revenue generated from our underwriting business for the three years ended 31 March 2019 amounted to nil, approximately HK\$9.3 million and HK\$21.0 million, respectively, representing nil, approximately 8.9% and 17.7% of our total revenue for the respective years.

The performance of our corporate finance advisory and underwriting businesses depends, to a large extent, on our ability to leverage our business network and relationships to source and retain clients. Since our sponsor fee, financial advisory fee and underwriting fee are mainly generated from mandates negotiated on a project-by-project basis, revenue generated from these businesses may fluctuate from time to time and may not recur. The number of projects undertaken by us, the total revenue derived from these businesses and the revenue generated from each client are affected by numerous factors such as market condition, the terms of each engagement, project duration, complexity and completion timeline of each project, resulting in uncertainties in relation to the sustainability of our financial performance. There is no assurance that the clients which have previously sought our services will continue to retain us for future businesses. Further, service fees for our corporate finance advisory projects are payable by instalments according to different milestones stipulated in our mandates and underwriting commissions are payable upon successful completion of the relevant IPO or fund raising exercise. We may not receive the mandated payments in full for services provided or after we have expended substantial effort and time as scheduled or at all. Therefore, the revenue generated from each client or engagement differs and we cannot assure that our future engagement fee rates will be comparable to those accepted by our clients during the Track Record Period.

Moreover, the demand for our corporate finance advisory and underwriting services is heavily dependent on the market conditions. Any adverse market condition or market sentiment will affect clients' decision on the scale, timing and stock market choices in respect of their fund raising needs, which may lead to lower demand for, delay to or termination of fund raising activities and our services and in turn affect the financial performance of our corporate finance advisory and underwriting businesses. If we are unable to continuously secure new sizable mandates, or if the market conditions become unfavourable, our business and results of operations may be materially and adversely affected.

RISK FACTORS

In these circumstances, our revenue and profitability may fluctuate from year to year and our financial performance is highly unpredictable.

The more stringent assessment and closer scrutiny on suitability for listing and “shell activities” by the regulators may adversely affect our revenue and profitability

The recent regulatory regime aimed at preventing the creation and trading of “shell companies” may affect our business prospect and financial results in terms of our provision of corporate finance advisory services.

With the imposition of the new rules relating to backdoor listing and continuing listing criteria and the heightened review of listing applicants in respect of the suitability for listing (See “Regulatory Overview — Recent development of the regulatory regime in respect of suitability for listing of new listing applicants, backdoor listings and continuing listing criteria” for further details), amongst various possible implications, some potential listing applicants might consider there to be more hurdles to overcome, at the listing application vetting stage as well as when they are required to undertake corporate actions to divest their loss making businesses or to diversify into new businesses after listing, which would increase the uncertainty of successful IPOs or corporate actions, and therefore decide to postpone or not to proceed with listing in Hong Kong; and the subsequent burdens and costs of compliance may increase for listing applicants and listed companies. Hence, the demand for our IPO sponsorship services and financial advisory services in relation to Share Sale Transaction, which are of non-recurring nature and higher margin, as compared to our other financial services, and the success rate of such projects, may decrease, which will in turn adversely affect our profitability and sustainability of our business. During the Track Record Period, we completed five Share Sale Transactions projects, the revenue of which accounted for approximately 38.4%, 34.6% and 3.8% of our total revenue derived from corporate finance advisory services, excluding IPO sponsorship services, for the three years ended 31 March 2019, respectively.

We may be unable to successfully implement or implement in full our future business plans

Our success is dependent on, among other things, our proper and timely execution of our future business plans. It is our aim to establish an integrated platform for providing financial and securities services to our clients. During the Track Record Period, we primarily focused on our corporate finance advisory business which commenced in January 2016. To further develop our businesses and broaden our market reach, we commenced our securities dealing and brokerage business and underwriting business in March 2017, securities financing business in December 2017 and asset management business in March 2019. We also plan to further expand our businesses. For details of our future business plans, see “Future Plans and Use of Proceeds”.

Our future business plans may be hindered by factors beyond our control, such as competition within the industry we operate, our ability to cope with high exposure to financial risk, operational risk, market risk and credit risk as our business and client base expands and our ability to provide, maintain and improve the level of human and other resources in servicing our clients. As such, we cannot assure that our future business plans will materialise in accordance with the timetable, or at all, or that our objectives will be accomplished fully or partially, or our business strategies will generate the intended benefits to us as initially contemplated. If we fail to implement our business development strategies successfully, our business performance, financial condition and future prospects and growth could be materially and adversely affected.

RISK FACTORS

Our business depends on the continued services of our key management and professional personnel. Failure to retain and motivate them or to attract suitable replacements may adversely affect our operations

Our success is dependent on the continued services of our experienced and competent management. Our key management personnel are Mr. Mui, Mr. Liu, Mr. Ng and Ms. Ho. See “Directors and Senior Management — Directors — Executive Directors” for further details. Our management is responsible for strategic planning as well as managing our business development and daily operations. In particular, the skills and expertise contributed by our executive Directors have played a crucial role in building our success and reputation to date. We also rely on our professional staff with in-depth industry knowledge and substantial experience in our operations to contribute to maintaining and establishing our client relationships. We may be unable to attract or retain the services of management and professional staff for our business in the future, particularly when the competition for competent personnel in the industry is intense. If we lose any key senior management or key personnel, there is no assurance that we will be able to find suitable replacements in a timely manner or at comparable costs, or at all. These personnel may join our competitors which may further intensify market competition. As a result, our operations, prospects and profitability could be materially and adversely affected.

Our financial results relied on Mr. Mui from whom significant portion of new projects of our corporate finance advisory business originated during the Track Record Period

We rely on Mr. Mui for originating new projects for our corporate finance advisory business. During the Track Record Period, approximately 37.8% to 54.7% of the revenue derived from our corporate finance advisory projects originated from Mr. Mui. If Mr. Mui ceases his working relationship with our Group, we may be unable to identify and engage a suitable officer as Mr. Mui and may be unable to replace him easily. If we fail to replace him with suitable candidates in a timely manner, we may be unable to originate and secure historic level of business opportunities, and our business operations, profitability and business prospects may be adversely affected.

We may be unable to receive mandated payments in a timely manner or in full if milestone events stipulated in our mandates for IPO sponsorship, financial advisory and underwriting services are not achieved as stipulated or if client withdraws from or terminates the transaction

During the Track Record Period, our business was heavily premised on the provision of IPO sponsorship and financial advisory services, which constituted a substantial portion of our corporate finance advisory business. The payment terms of our mandates for these services normally involve an initial retainer fee and progress payments based on milestones achieved, and not necessarily based on the time or costs we have incurred for the project. We also witnessed a rise in our underwriting business during the Track Record Period. Underwriting commission is payable to us upon successful completion of an IPO or the fund raising exercise where we act as an underwriter. If a milestone is not achieved or if a transaction is terminated before completion, our clients may delay in settling our invoices which are presented to them when due, or not settle them at all. In the case of default payments, if we have already incurred significant amount of costs and expenditures for the project and the initial retainer fee or any progress payments received do not cover our total costs incurred, our results of operations may be materially and adversely affected. For the three years ended 31 March 2019, the number of cases which we were unable to receive mandated payments in full as milestone events stipulated in mandates were not achieved were 12, 19 and 14, respectively, and the respective amounts of mandated payments not

RISK FACTORS

received were approximately HK\$7.0 million, HK\$21.2 million and HK\$12.8 million, respectively. We did not experience any bad debts during the Track Record Period. We recognise our revenue pursuant to the progress of the projects and the scope of our services provided to them. Failures or delays in receiving payments from our clients may adversely affect our cash flow position and our ability to meet the working capital requirement. The grant of approvals by the regulators such as the Stock Exchange and the SFC will usually affect the project timeline. Failure in obtaining the necessary approvals as stipulated or at all could result in the delay or abortion of the transactions.

Any deterioration of our IPO sponsorship business may adversely affect our other financial services business

Revenue generated from our IPO sponsorship business contributed substantially to our total revenue during the Track Record Period. We recognised IPO sponsorship income of approximately HK\$31.2 million, HK\$39.8 million and HK\$38.5 million for the three years ended 31 March 2019, respectively, representing approximately 39.7%, 38.0% and 32.5% of our total revenue for the respective years. Our provision of IPO sponsorship services helps to induce a substantial amount of underwriting business where we may act as the global coordinator, bookrunner, lead manager or underwriter for such IPOs. For the three years ended 31 March 2019, we completed nil, six and 10 underwriting projects, respectively, which in aggregate generated revenue of nil, approximately HK\$9.3 million and HK\$21.0 million, respectively. During the Track Record Period, we managed to secure an underwriting role in most of our completed IPO sponsorship projects (five of such 15 IPO sponsorship projects were completed before the commencement of our underwriting business). Since the commencement of our underwriting business in March 2017 and up to 31 March 2019, we completed 10 IPO sponsorship projects and secured an underwriting role in nine of these projects. During the Track Record Period, all clients of our completed IPO sponsorship projects engaged us as a compliance adviser. Revenue attributable to non-IPO sponsorship related services provided to clients of our IPO sponsorship projects was approximately HK\$1.2 million, HK\$16.7 million and HK\$29.6 million for the three years ended 31 March 2019, respectively, representing approximately 1.6%, 16.0% and 25.0% of our revenue for the respective years. Therefore, any decline in our IPO sponsorship business may adversely affect the revenue and profitability of our business.

Our future financial performance and ability to succeed may be difficult to predict given that our operating history in the financial and securities services industry in Hong Kong is relatively short

Our future revenues and cash flows may fluctuate significantly given that our operating history in the financial and securities services industry in Hong Kong is relatively short, rendering it difficult to predict our results of operations and prospects. We commenced our corporate finance advisory business in January 2016, our securities dealing and brokerage business and underwriting business in March 2017 and our securities financing business in December 2017. We only commenced our asset management business in March 2019.

A majority of our revenue during the Track Record Period was generated from our corporate finance advisory business. We only have a limited operating history as regards such business upon which an evaluation of our prospects can be based. Such prospects must be considered in light of the risks, expenses and difficulties encountered by any new company. Such risks include our continued market acceptance as a reliable and attentive financial and securities service provider, ability to develop our business scale, and potential competition from our competitors. There is no assurance that we will

RISK FACTORS

sustain profitability or positive cash flow from our existing operations or from any expanded or new operations, nor that we will be able, upon the completion of the Share Offer, to expand operations beyond our current level.

We are subject to market and financial risks arising from our underwriting business if the securities underwritten by us are undersubscribed

During the Track Record Period, we completed a total of 16 underwriting projects in which we acted as a global coordinator, bookrunner, lead manager or an underwriter. Our aggregate net underwriting commitments for the said 16 underwriting projects for the three years ended 31 March 2019 were nil, approximately HK\$111.7 million and HK\$282.0 million, respectively. We generally underwrite IPOs on a fully-underwritten basis, while we may underwrite other fund raising activities on a best-effort or a fully-underwritten basis. If the securities underwritten by us are undersubscribed and we fail to procure subscriptions to such securities, we would be bound to purchase the undersubscribed portion on our own account up to our maximum underwriting commitment, which would materially and adversely affect our liquidity. If we fail to sell the securities we have underwritten, we would incur expenditure, expose ourselves to market risk and capital available to us would be reduced, which may in turn materially and adversely affect our results of operations and financial conditions. In the event that such securities purchased by us become illiquid and/or their market value drops, our liquidity and financial position would also be adversely affected. Under the FRR, the value of the open position of any underwriting commitment or the market value of the securities purchased by us to fulfil our underwriting obligations would have an impact on our liquid capital. If our liquid capital falls below the minimum requirement under the FRR, we will be in breach of the FRR resulting in SFC suspending our licence or imposing conditions in relation to our regulated activities. Further, our underwriting commission income is directly related to the number of underwriting exercises secured and completed by us, the total fund raising size of the underwriting projects, our underwriting commitment and the expected commission rates. Such factors are susceptible to market conditions which are beyond our control.

We operate in a highly regulated industry and ongoing compliance with the rules and regulations could be costly and affect our operations

The financial and securities services industry in which we operate is highly regulated and any material changes to the laws and regulations applicable to us could significantly affect our operations. We cannot assure that the business model and operations we currently have in place would be in compliance with any changes or updates to the regulatory requirements. Costs of compliance could increase and our fee structure may have to be adjusted. For instance, we may need to update our computer systems and increase headcounts if requirements over sponsor work become more stringent or obtain more licences if the licensing requirements change. The sanctions imposed by the SFC against large sponsor firms for substandard due diligence in several recent widely-publicised cases demonstrate that the SFC expects high standards of sponsor's conduct and we will need to continue to enhance our internal controls and systems in respect of our sponsor work in accordance with new regulatory requirements or guidances. If capital ratio requirements increase and certain products or activities are subject to limitations, the range of services we offer could be restricted, and revenue growth and profitability could be materially and adversely impacted. Moreover, each of our licensed entities is under the supervision and monitoring of the SFC and the Stock Exchange and must remain fit and proper to the satisfaction of the regulators in order to retain its licence(s). The SFC may also conduct regulatory

RISK FACTORS

inspections and investigations on our business activities from time to time. For details of the applicable regulatory requirements, see “Regulatory Overview”. Any non-compliance with applicable laws, regulations, guidance or codes or any negative findings made by the regulators may result in (i) fines, deterrent penalties, disciplinary actions against us, our Responsible Officers, Licensed Representatives or any of our personnel; or (ii) suspension or revocation of some or all of (a) our registrations or licences for carrying on our business activities; or (b) the approvals or licences granted to our personnel enabling them to carry out their responsibilities in our Group. For instance, conditions may be imposed on our licences restricting us to carry on our business or our Responsible Officers or Licensed Representatives may be banned from the industry, for a specific period of time. For details of the disciplinary actions which may be taken by the SFC against a regulated person, see “Regulatory Overview — Supervision by the SFC — Disciplinary power of the SFC”. Accordingly, our business operation, reputation, financial condition and results of operations might be materially and adversely affected.

Other brokerage firms may have a competitive edge over us by offering zero or lower rate of brokerage commission

Our clients are free to trade in securities in the secondary market with any broker that offers a more favourable rate of brokerage commission. Brokerage firms competing with us may charge zero or lower rate of brokerage commission in an attempt to capture a larger market share and attract our clients to use their securities dealing and brokerage services. We cannot assure that our clients who have active securities trading accounts with us will continue to conduct all or any securities trading through such account. In case we are unable to charge a competitive rate of brokerage commission for our securities dealing and brokerage services, we may lose to our competitors for the same clients in the secondary market for securities trading.

Our capital may not always be sufficient to fund our business activities and business growth

It is fundamental for us to always maintain sufficient liquid capital to fund our operations and sustain our growth, especially for our underwriting business and securities financing business, which are capital intensive in nature. We are also under an obligation to meet the minimum requirement on liquid capital under the FRR. Non-compliance with the statutory minimum liquid capital requirement may result in suspension of our licences or imposition of restrictions on our conduct of the regulated activities by the SFC.

During the Track Record Period, we financed our business activities mainly by internal resources, which included, without limitation, capital reserve and cash generated from our business operations. During the Track Record Period, we principally relied on our internal resources to fulfil the minimum liquid capital requirement under the FRR for our underwriting business as well as providing securities financing to our clients. We cannot assure that our working capital will always be sufficient to fund our business activities and business growth and that our business will not require external financing in the future. In the event that external financial resources are required, we cannot assure that we can obtain adequate bank or other debt facilities on commercially reasonable and favourable terms or at all. Insufficient capital may materially and adversely affect our financial conditions and hinder our business development strategies.

RISK FACTORS

Our securities financing business is subject to credit risks of clients and volatility in market conditions

Our securities financing business is subject to the credit risk of client or its guarantor as it may fail to meet its repayment or guarantor obligations, as appropriate. When we provide securities financing, we generally require our clients to provide listed securities as collateral. If the value of the collateral provided by the relevant client is considered to be insufficient to cover our exposure with respect to the loan granted to that client, we may issue a margin call and request that client to fulfil it with a prescribed time limit by depositing additional funds to the respective margin accounts, closing out the securities and/or pledging additional collateral to top up the market value of pledged securities to reach the approved margin ratio. If our client fails to do that, we may, on a case-by-case basis depending on, among other things, the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the client, exercise the right to force-sell the collaterals without clients' consent in accordance with the terms of the client agreement. In the case where the pledged securities become illiquid for whatever reason, our ability to sell those securities to minimise our loss may be impaired. In addition, if the market value of the pledged securities fluctuates or declines significantly due to fluctuations in currency exchange rate, share prices and interest rates, we may be unable to fully cover the outstanding loan balance by the proceeds from selling those pledged securities, which may adversely affect our financial conditions and results of operations.

Our asset management business is a new business and may not be successful

We only recently commenced our asset management business after Lego Asset Management obtained the SFC licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities in March 2019. We launched two open-ended funds, namely, Lego Vision Fund SP and Lego China Special Opportunities Fund SP in April 2019 and June 2019, respectively. As at 31 August 2019, the AUM of Lego Vision Fund SP was approximately US\$3.5 million (equivalent to approximately HK\$27.2 million), and the AUM of Lego China Special Opportunities Fund SP was approximately US\$0.5 million (equivalent to approximately HK\$3.9 million).

We have limited experience in operating asset management business. We did not generate revenue from our asset management business during the Track Record Period. We cannot assure you that our AUM will be maintained or increased under the highly competitive environment with numerous competitors including other securities firm, fund managers, commercial banks and insurance companies which may have longer operating history, better brand names and reputation and proven record of investment performance. Given the history of operation of our asset management business is extremely short, its ability to succeed is difficult to predict. Our investment performance is subject to market condition and volatility, our investment strategies, changes in our risk management policy and economic factors. If our future AUM decreases due to our poor management or our clients withdraw their assets, our business operations and financial results may be materially and adversely affected.

RISK FACTORS

Our financial result for the year ending 31 March 2020 are expected to be adversely affected by the non-recurring Listing expenses

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2020 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. Assuming the Offer Price of HK\$1.5 per Offer Share, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised, the total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$20.0 million (excluding a sponsor fee payable to Lego Corporate Finance and an underwriting commission payable to Lego Securities, which will be eliminated in our combined financial statements). Among the estimated total Listing expenses, (i) approximately HK\$8.6 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$11.4 million has been and is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$2.1 million has been recognised for the year ended 31 March 2019 and the remaining of approximately HK\$9.3 million is expected to be recognised for the year ending 31 March 2020. Prospective investors should note that we expect the estimated non-recurring Listing expenses mentioned above to adversely affect our financial performance for the year ending 31 March 2020, and may or may not be comparable to our financial performance in the past.

We may be subject to professional liabilities and claims in litigation and regulatory proceedings

In the ordinary course of our business, we provide professional advice for corporate transactions and provide information in relation to securities transactions to our clients. If our clients rely on such advice or information and incur losses as a result, we could be subject to claims in legal and regulatory proceedings for compensation and/or other relief for negligence, provision of false or misleading information, breach of fiduciary duties or employee misconduct. We cannot assure that our internal policies and measures currently in place or as updated from time to time can eradicate such risks of liabilities and claims. Any claims or lawsuits against us arising from professional negligence and/or employee misconduct that result in substantial amounts of compensation which is not covered by our professional indemnity insurance may have a material and adverse impact on our business activities, reputation, results of operations and financial conditions.

Any trading errors relating to our securities dealing and brokerage business may cause significant losses

We have to execute and monitor securities dealing transactions in a timely and vigilant manner for our securities dealing and brokerage business, which is heavily dependent on the satisfactory performance of our trading system. Trading errors may occur in the case of trading system breakdown or failure. We cannot guarantee that the measures and procedures we have in place to protect and maintain our trading system will completely deter, or be continuously effectively in deterring, trading errors. Trading errors may also occur as a result of human mistakes made by our employees or self-employed AEs in processing clients' orders or instructions. Any trading errors may cause us to incur significant losses and may materially and adversely affect our reputation, operations and financial performance.

RISK FACTORS

We are subject to various risks due to illegal or improper activities committed by and misconduct of our personnel or third parties

We are subject to the risk of fraud, illegal act, misconduct or other improper activities committed by our Directors, employees, self-employed AEs, agents, clients or other third parties, such as entering into unauthorised transactions, improperly using or divulging inside information, recommending transactions not suitable for our clients, engaging in fraudulent activities, or engaging in improper or illegal activities or excessive trading to the detriment of us or our clients. We cannot assure that our procedures and policies would fully prevent or detect illegal or improper activities in our business operations. If illegal or improper activities transpire and we fail to identify them in a timely manner, or at all, we will be in breach of the legal and regulatory requirements in Hong Kong and may be subject to regulatory sanction resulting in financial loss and reputational harm, which would adversely affect our reputation and results of operations.

Allotment and issue of Shares upon the exercise of the options granted under the Pre-IPO Share Option Scheme will result in the dilution of your shareholdings in our Company and could negatively impact the financial results of our operations on a per-Share basis

To provide incentives to certain key staff of our Group, we granted them options under the Pre-IPO Share Option Scheme.

On 6 March 2019, our Company conditionally granted 33,041,054 options to 44 grantees under the Pre-IPO Share Option Scheme 346,433 of such options granted to a former employee and former director of a subsidiary of our Group lapsed on 27 August 2019. As at the Latest Practicable Date, 32,694,621 options granted to the remaining 43 Grantees under the Pre-IPO Share Option Scheme had not been exercised and remained outstanding. Assuming full vesting and exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of our Shareholders immediately following the Listing would be diluted by approximately 7.56% as calculated based on 432,694,621 Shares then in issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme) and the dilution effect on our earnings per Share would be approximately 7.56%.

In addition, we are required to recognise share-based payment expenses. The share-based payment expenses recognised for the year ended 31 March 2019 amounted to approximately HK\$0.7 million. We estimate that the share-based payment expenses to be recognised in the three years ending 31 March 2022 for the options granted under the Pre-IPO Share Option Scheme will amount to approximately HK\$5.6 million, HK\$2.1 million and HK\$0.5 million, respectively. Further information is set forth in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (a) Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

Issuance of Shares pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme will result in an increase in the total number of Shares in issue and therefore dilute your shareholding percentage. Moreover, the issuance or award of Shares under the Share Option Scheme or any other share-based payment transactions that we may conduct may negatively impact the financial results of our operations on a per-Share basis.

RISK FACTORS

Our reputation may be damaged due to negative events about our business

Our reputation is susceptible to damage in case of any negative events in relation to our operations, including, without limitation, negative publicity or media coverage, development of scandals, litigation and disputes, and regulatory enquiries or enforcement actions taken against us or our employees. We cannot assure that such negative events will not happen in the future. If they materialise, it may have a material adverse impact on our reputation and in turn our business activities and results of operations.

Our internal control system may become ineffective or inadequate

We rely on our internal control system to ensure effective business operations. We have established, maintained and relied on an internal control system comprising a series of policies and procedures to record and process data in an accurate and timely manner, identify any reporting errors, identify money-laundering and terrorist-financing activities, and ensure compliance with licensing and regulatory requirements. There is no assurance that the internal control system in place will prove at all times adequate and effective to deal with all the possible risks given the fast changing financial and regulatory environment in which we operate. We cannot assure that our internal control system has no deficiencies or inherent limitations, or that it can fully prevent us from our employees misconduct. Such deficiencies or inherent limitations may result in fines or disciplinary actions against us imposed by regulators, and may adversely affect our financial condition and results of operations.

Our computer systems, data storage and electronic trading platform may encounter failure and may cause disruption to our business activities and data breach

Our computer systems, electronic trading platform and data storage are crucial to the operation of our businesses. We rely on the BSS to execute and process securities trading orders. Our computer systems and network and the BSS are vulnerable to external threats such as cyber attacks, computer viruses, unauthorised access and data loss or leakage, which may cause disruption of our IT and operating systems. We have engaged an external IT company and employed in-house IT staff to oversee, protect and maintain our computer systems and data storage to ensure steady performance. However, we cannot assure that such external services or our internal policies and contingency plan will be adequate to prevent all types of external threats. If our clients' information is leaked due to our computer system or the BSS being compromised, we may be in breach of confidentiality to our clients, which in turn may damage our reputation and adversely affect our financial condition and results of operations. In the event that clients' confidential information is stolen and misused, we may become exposed to potential risks of losses from litigation and possible liability.

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

For the three years ended 31 March 2019, our Group declared and paid dividends in an amount of HK\$36.0 million, HK\$52.0 million and HK\$24.6 million, respectively, to our then shareholders. On 10 September 2019, our Company declared and paid dividend of HK\$6.0 million. The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Dividend is proposed by our Board at its discretion and is subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board may determine as important. See

RISK FACTORS

“Financial Information — Dividend” for more information. Subject to any of the above constraints, we may be unable to pay dividends in accordance with our dividend policy. In addition, dividends paid in prior periods may not be indicative of future dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future.

We recorded accumulated losses during the Track Record Period

We recorded accumulated losses of approximately HK\$1.8 million and HK\$2.6 million as at 31 March 2017 and 2018, respectively, due to the early adoption of HKFRS 15. The audited financial statements of Lego Corporate Finance for the two years ended 31 March 2018, and the audited financial statements of Lego Securities for the two years ended 31 March 2018 were prepared under HKAS 18 “Revenue”, while our combined financial statements for the years ended 31 March 2017 and 2018 as set out in Appendix I to this prospectus were prepared under HKFRS 15 “Revenue from Contracts with Customers”. All HKFRSs effective for the accounting period commencing from 1 April 2016, together with the relevant transitional provisions including HKFRS 9 “Financial Instrument” and HKFRS 15 “Revenue from Contracts with Customers” and the related amendments, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. Certain revenue of Lego Corporate Finance for the two years ended 31 March 2018 initially recognised under HKAS 18 were adjusted and deferred to be recognised under HKFRS 15. As a result, our combined retained earnings recorded under HKAS 18 became accumulated losses recorded under HKFRS 15 as at 31 March 2017 and 2018 as set out in Appendix I to this prospectus. There is no assurance that our Group can record combined retained earnings in the future.

We are subject to credit risks relating to default of payments by clients or insufficient value of the pledged securities collaterals

During the Track Record Period, our accounts receivable mainly included receivable from clients of our corporate finance advisory and securities financing businesses.

Accounts receivable from clients of our corporate finance advisory business are due upon the issuance of invoice. There is no assurance that all amounts due to us will be settled on time. Accordingly, we are exposed to credit risk arising from their default of payments. We may have to make additional provision for impairment, write off the relevant accounts receivable and incur additional legal costs in enforcing our rights to recover such payments. Our performance, liquidity and profitability will be adversely affected if significant amounts due to us are not settled on time. The deterioration of the creditworthiness of our clients could also materially and adversely affect our business and financial performance.

Accounts receivable arising from our securities financing business are generally secured by listed securities. If a client fails to fulfill our margin call within a prescribed time limit by depositing additional funds or close out the securities and/or pledge additional collaterals, we may force-sell the relevant collaterals and apply the sale proceeds for settling the relevant outstanding balance. However, the amount recovered from the sale of the collaterals may fall short of the amount of the outstanding balance and the market value of such collaterals may decline significantly, resulting in adverse effect on our financial conditions and results of operations.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

We face fierce competition in the financial and securities services industry in Hong Kong and may lose our competitive edge to our competitors

There is a significant number of existing market participants in the financial and securities services industry in Hong Kong providing services similar to ours. Our larger competitors may have advantages over us such as having better brand recognition and reputation in the market, wider range of value-adding services, stronger human and financial resources, longer operating histories, and operational presence in more geographic locations. We also face competition from local medium and small-sized financial services providers which offer similar range of services. New participants may enter into the market insofar as they have engaged appropriate qualified professionals and obtained the requisite regulatory licences and permits. Given the keen competition, we cannot assure that we will be able to maintain our competitive edge in response to the fast-changing business environment. In addition, competition creates an unfavourable pricing environment in the market in which we operate. Intensified competition may cause us to reduce our service fees or commission rates in order to compete with other market players, which could place significant pressure on our ability to maintain gross margins and is particularly acute during market slowdowns, and will in turn materially and adversely affect our market share, financial condition and results of operations.

Our business performance is highly influenced by the conditions of the financial and securities market in Hong Kong

All our business operations were concentrated in the financial and securities sector in Hong Kong during the Track Record Period. Any material deterioration in the financial and economic conditions of the financial and securities market in Hong Kong could materially and adversely affect our business and prospects. The Hong Kong financial and securities market is susceptible to changes in the global as well as domestic economic, social and political conditions including, without limitation, interest rate fluctuations, volatility of foreign currency exchange rates, monetary policy changes, outcome of the Sino-US trade dispute, the U.S. interest rate outlook, outcome of Brexit, recent social unrest in Hong Kong and legal and regulatory changes. When there are unfavourable changes to the global or local market conditions, the financial and securities market in Hong Kong may experience negative fluctuations in its performance. It may directly affect the demand for our services, our pricing strategies, the level of our business activities and consequently our revenue derived therefrom. This may materially and adversely affect our financial condition and results of operations.

Our brokerage commission may decrease in the future due to the keen competition in the industry

We receive brokerage commission from our clients for executing trades in securities on secondary market on behalf of them and for subscribing for securities on behalf of them under IPO offering.

The securities dealing and brokerage business in Hong Kong is dominated as to around 55.7% of the market share in terms of turnover by the top 14 firms (Stock Exchange Participants under Category A), and as to around 91.4% of the market share in terms of turnover by the top 65 firms (Stock Exchange Participants under Category A and Category B) during the year ended 31 December 2018. As such, the remaining brokerage firms in the stock market (Stock Exchange Participants under Category C) compete for around 8.7% market share in terms of turnover during the year ended 31 December 2018, and we are one of the Stock Exchange Participants under Category C.

RISK FACTORS

In addition to such market share distribution, the deregulation of commission rate of security transactions which took effect from 1 April 2003 has further intensified the competition in the market, as brokerage firms compete by offering lower commission rates and more value-added services to clients. The introduction and popularity of online trading systems may also further decrease our commission from provision of securities dealing and brokerage services and will in turn adversely affect our results of operation and profitability.

We are affected by the rules and regulations governing listed companies on the Stock Exchange

During the Track Record Period, we provided corporate finance advisory services to clients who are listing applicants or listed companies or their shareholders or investors on the Stock Exchange. These clients are required to comply with the Listing Rules, the GEM Listing Rules, the Takeovers Code and other rules and regulations where applicable. Any changes to such rules and regulations, particularly those affecting the appointment and the role of sponsor in listing applications and the appointment and the role of financial adviser in specific transactions, may affect the demand for and the scope of our corporate finance advisory services which may in turn materially and adversely affect our results of operations.

Our business activities are directly subject to the general economic, social, political and legal landscape in Hong Kong

Our business activities are primarily based in Hong Kong and we are directly affected by any change or development in the local economic, social, political and legal situations as well as government policies in Hong Kong. Such changes or developments are subject to numerous factors, such as the global economy and the political conditions in the PRC, which are beyond our control. Further, events with adverse impact on investors' confidence and risk appetites, such as riots or mass civil disobedience movements and general deterioration of local economy, may lead to a reduction in investment or trading activities and in turn our business performance. Any adverse change in local economic, social and political environment, which is beyond our control, may lead to a prolonged period of sluggish market activities and a deterioration in investment and trading activities and in turn adversely affect our business and financial performance.

Adverse changes in the general economic, political and regulatory environment in the PRC may affect our financial and securities businesses

Given the close tie between Hong Kong and the PRC, the stability of the Hong Kong economy and domestic market are susceptible to the general economic, political and regulatory environment in the PRC. In addition, PRC enterprises and investors are increasingly seeking to participate in the Hong Kong financial and securities activities. Any material adverse changes in the economic performance, political situations and regulations in relation to the financial and securities market in the PRC may adversely affect PRC-based companies' desire to participate in the financial and securities market in Hong Kong. This may lower their demand for our services and in turn adversely affect our financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Offer Shares. An active trading market may not develop for our Shares and the liquidity and market price of the Offer Shares following the Share Offer may be volatile

Prior to the Share Offer, no public market for our Shares existed. The initial Offer Price range issued to the public for our Shares was the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and may not be indicative of the market price of our Shares following the completion of the Share Offer. We cannot assure that an active trading market for our Shares will be developed or sustained following the completion of the Share Offer. In addition, the price and trading volumes of our Shares may be volatile. Volatility in the price of our Shares may be caused by variations in our operation results and financial position, investors' perception of us and our future business plans and prospects, or any other developments in our business or industries or the financial markets.

The trading price and volume for our Shares may be volatile, which could result in substantial losses to you

The price and trading volume of our Shares may be highly volatile and may not always accurately reflect the underlying value of our business. Factors such as actual or anticipated fluctuations in our results of operations, variations in our revenue, net profit and cash flows, announcements of new investments, strategic alliances and acquisitions, additions or departures of key personnel, fluctuations in stock market price or volume, involvement in litigation or regulatory investigations and changes in general economic and stock market conditions could cause the trading price of our Shares to fluctuate significantly. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade and investors may realise less than the original sum invested. We cannot assure that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Offer Shares could fall during the period before trading of our Offer Shares begins

The Offer Price of the Offer Shares is expected to be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several days after the Price Determination Date. As a result, investors may be unable to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

RISK FACTORS

The sale or availability for sale of substantial amounts of Shares could adversely affect their trading price

Sales of substantial amounts of Shares in the public market after completion of the Share Offer or the perception that such sales could occur would adversely affect the market price of our Shares and materially impair our future ability to raise capital through Share offerings. Shares owned by our Controlling Shareholders are subject to lock-up periods. There can be no assurance that they will not dispose of these Shares following expiration of lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future

Investors who purchase the Offer Shares in the Share Offer will pay more for the Offer Shares than our net book value on a per Share basis. As a result, they will experience an immediate dilution in the net tangible asset value and the existing Shareholders will receive an increase in the pro forma adjusted combined net tangible asset value per Share of their Shares.

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations or any acquisitions. If additional funds are raised by way of the issuance of new Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, then the shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Share would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of our existing Shareholders.

We may grant share options pursuant to the Share Option Scheme, which will entitle participants to receive Shares under certain circumstances. Further information is set forth in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (b) Share Option Scheme” in Appendix IV to this prospectus. Exercise of options may result in an increase in our issued share capital, which in turn may result in a dilution of our Shareholders’ equity interest in our Company and a reduction in earnings per Share.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong

Our corporate affairs are governed by our Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company’s minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands company law is set out in Appendix III to this prospectus.

RISK FACTORS

Investors should read the entire prospectus carefully and should not rely on any information contained in press articles and/or other media coverage regarding us and the Share Offer

Prior to the publication of this prospectus, and possibly subsequent to the date of this prospectus but prior to the completion of the Share Offer, there might have been press articles and/or media coverage regarding us and the Share Offer, which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person involved in the Share Offer, hence none of these parties accept any responsibility for the accuracy or completeness of such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press articles and/or other media coverage regarding us and the Share Offer. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain facts, forecasts and other statistics including those relating to Hong Kong and its economy that have been extracted from government official sources and publications or other sources. We believe the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts. As such, these statistics and facts should not be unduly relied upon. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus 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 information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, 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 this prospectus or any statement herein misleading.

THE PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. See “How to Apply for Public Offer Shares” and the Application Forms for details of the procedures for applying for the Public Offer Shares.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER AND UNDERWRITING

See “Structure and Conditions of the Share Offer” for details of the structure and conditions of the Share Offer.

The Listing is sponsored by the Joint Sponsors. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing Underwriting Agreement is expected to be entered into on the Price Determination Date, subject to agreement on the Offer Price by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us. The Share Offer is managed by the Joint Bookrunners. If, for any reason, the Offer Price is not agreed, the Share Offer will not become unconditional and will lapse immediately. See “Underwriting” for details of the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, and is deemed by his acquisition of Public Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

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. Accordingly, without limitation to the following, this prospectus 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 the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

STABILISATION AND OVER-ALLOTMENT OPTION

Details of the arrangement in relation to stabilisation and the Over-allotment Option are set out in “Structure and Conditions of the Share Offer”.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Dealings in our Shares on the Stock Exchange are expected to commence on Monday, 30 September 2019.

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

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Offer Price will not be more than HK\$1.7 per Offer Share and is currently expected to be not less than HK\$1.3 per Offer Share. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.7 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.7 per Offer Share. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time not later than the morning of the last day for

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

lodging applications under the Public Offer. In such case, a notice of reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.legogroup.hk.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between Stock Exchange participants is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements may affect your rights and interests.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our register of members to be maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong. Our principal register of members will be maintained by our Cayman Islands Principal Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

Dealings in our Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, agents, employees, advisers, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Assuming the Share Offer becomes unconditional at or before 8:00 a.m. on Monday, 30 September 2019, it is expected that dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Monday, 30 September 2019. Our Shares will be traded in board lots of 2,000 Shares each. The stock code of our Shares is 3938.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Our Company will not issue any temporary documents of title.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rate: US\$1.00: HK\$7.78. No representation is made that any amounts in US\$ were or could have been or could be converted into Hong Kong dollars at such rate or any other exchange rates on such date or any other date.

LANGUAGE

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Mui Ho Cheung Gary (梅浩彰) (<i>Chairman and CEO</i>)	Flat D, 15th Floor Tower 2, Central Park 18 Hoi Ting Road Kowloon Hong Kong	Chinese
Mr. Liu Chi Wai (廖子慧)	Flat F, 67th Floor, Tower 1 Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Mr. Ng Siu Hin Stanley (吳肇軒)	Flat A, 8th Floor, Block 2 Castello Siu Lek Yuen Road Shatin, New Territories Hong Kong	Chinese
Ms. Ho Sze Man Kristie (何思敏)	Flat A, 23rd Floor Tower 3, Island Garden 33 Chai Wan Road Shau Kei Wan Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Ms. Lim Yan Xin Reina (林延芯)	172 Sixth Avenue #01-35 The Sixth Avenue Residences Singapore 276545	Singaporean
Mr. Poon Lai Yin Michael (潘禮賢)	Flat D, 33rd Floor, Tower 5 Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Dr. Wong Ho Ki (黃浩麟)	Flat C, 12th Floor Primrose Court 56A Conduit Road Mid-Levels Hong Kong	Chinese

Further information of our Directors is set forth in “Directors and Senior Management — Directors”.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Joint Sponsors

Lego Corporate Finance Limited

Licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

TUS Corporate Finance Limited

Licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
15/F, Shanghai Commercial Bank Tower
12 Queen's Road Central
Central, Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Elstone Securities Limited

Licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity
Suite 1601-04
16/F., West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Lego Securities Limited

Licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity
Room 301, 3/F
China Building,
29 Queen's Road Central
Central, Hong Kong

Other Joint Lead Managers

Kingsway Financial Services Group Limited

Licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities
7/F, Tower 1
Lippo Centre, 89 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**China Galaxy International Securities (Hong Kong)
Co., Limited**

*Licensed corporation under the SFO to carry on Type 1
(dealing in securities), Type 4 (advising on securities) and
Type 6 (advising on corporate finance) regulated activities*
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

Shanxi Securities International Limited

*Licensed corporation under the SFO to carry on Type 1
(dealing in securities) regulated activity*
Unit A 29/F
Admiralty Center Tower 1
18 Harcourt Road
Admiralty, Hong Kong

Co-lead Managers

Excel Precise Securities Limited

*Licensed corporation under the SFO to carry on Type 1
(dealing in securities) regulated activity*
Room 1315, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

Bonus Eventus Securities Limited

*Licensed corporation under the SFO to carry on Type
1(dealing in securities) regulated activity*
Room 1206 12/F Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Robertsons

Solicitors, Hong Kong
57th Floor
The Center
99 Queen's Road Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman

Attorneys, Cayman Islands
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Joint Sponsors and the Underwriters	<i>As to Hong Kong law:</i> Pinsent Masons <i>Solicitors, Hong Kong</i> 50th Floor Central Plaza 18 Harbour Road Hong Kong
Auditors and reporting accountants	BDO Limited <i>Certified Public Accountants</i> 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Compliance adviser	TUS Corporate Finance Limited <i>Licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities</i> 15/F, Shanghai Commercial Bank Tower 12 Queen's Road Central Central, Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central, Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Room 1601, 16th Floor China Building 29 Queen's Road Central Hong Kong
Company's website	<u>www.legogroup.hk</u> <i>(Note: The contents of this website do not form part of this prospectus)</i>
Company secretary	Mr. Lam Yau Lun (林猷麟) <i>(Fellow member of the Hong Kong Institute of Certified Public Accountants)</i> Flat F, 27th Floor Block 2, Bayview Garden 633 Castle Peak Road Tsuen Wan New Territories
Authorised representatives (for the purpose of the Listing Rules)	Mr. Mui Ho Cheung Gary (梅浩彰) Flat D, 15th Floor Tower 2, Central Park 18 Hoi Ting Road Kowloon Hong Kong Mr. Ng Siu Hin Stanley (吳肇軒) Flat A, 8th Floor, Block 2 Castello Siu Lek Yuen Road Shatin, New Territories Hong Kong
Audit committee	Ms. Lim Yan Xin Reina (林延芯) (<i>Chairlady</i>) Mr. Poon Lai Yin Michael (潘禮賢) Dr. Wong Ho Ki (黃浩麒)
Remuneration committee	Mr. Poon Lai Yin Michael (潘禮賢) (<i>Chairman</i>) Ms. Lim Yan Xin Reina (林延芯) Dr. Wong Ho Ki (黃浩麒)

CORPORATE INFORMATION

Nomination committee

Mr. Mui Ho Cheung Gary (梅浩彰) (*Chairman*)
Ms. Lim Yan Xin Reina (林延芯)
Mr. Poon Lai Yin Michael (潘禮賢)
Dr. Wong Ho Ki (黃浩麒)

**Principal share registrar and transfer
office in the Cayman Islands**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

Principal bankers

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

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

INDUSTRY OVERVIEW

This section contains certain information derived from various governmental, official, publicly available documents, the internet or other sources, which was not commissioned by us or the Joint Sponsors. We believe that the sources of such information 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. Such information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy. In respect of the information which has been directly or indirectly derived from the document or website of the Stock Exchange or the SFC as indicated, the Stock Exchange 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.

OVERVIEW OF THE STOCK MARKET IN HONG KONG

Hong Kong as a leading global stock market and international financial hub

Hong Kong is one of the world's largest securities markets by market capitalisation. As an international financial hub and gateway to China, over the years, Hong Kong's stock market has experienced remarkable growth in market capitalisation. As at 30 June 2019, in terms of market capitalisation, the Stock Exchange ranked the sixth largest stock market in the world, and the third largest stock market in Asia, with a total market capitalisation of approximately US\$4,189.3 billion.

The following table sets out the market capitalisation and ranking of the world's top 10 stock exchanges as at 30 June 2019.

Worldwide ranking	Ranking in Asia	Stock exchanges	Market capitalisation ⁽⁶⁾ (US\$ billion)
1		U.S. (NYSE Euronext)	24,230.8
2		U.S. (Nasdaq)	11,658.2
3	1	Japan (Japan Exchange Group) ⁽¹⁾	5,614.2
4	2	China (Shanghai)	4,776.8
5		Europe (NYSE Euronext) ⁽²⁾	4,418.2
6	3	Hong Kong (Stock Exchange)⁽³⁾	4,189.3
7		UK (London Stock Exchange Group) ⁽⁴⁾	3,934.5
8	4	China (Shenzhen)	3,034.2
9		Canada (Toronto) ⁽⁵⁾	2,286.8
10	5	India	2,183.9

(1) Japan (Japan Exchange Group) comprises Tokyo Stock Exchange and Osaka Securities Exchange.

(2) Europe (NYSE Euronext) comprises Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris.

(3) The Stock Exchange includes GEM.

(4) UK (London Stock Exchange Group) comprises London Stock Exchange and Borsa Italiana.

(5) Canada (Toronto) includes TSX Venture.

(6) Ranking is based on market capitalisation. Market capitalisation excludes investment funds.

Source: SFC website — Market & industry statistics — Table A — market capitalisation of the world's top stock exchanges (As at 30 June 2019)

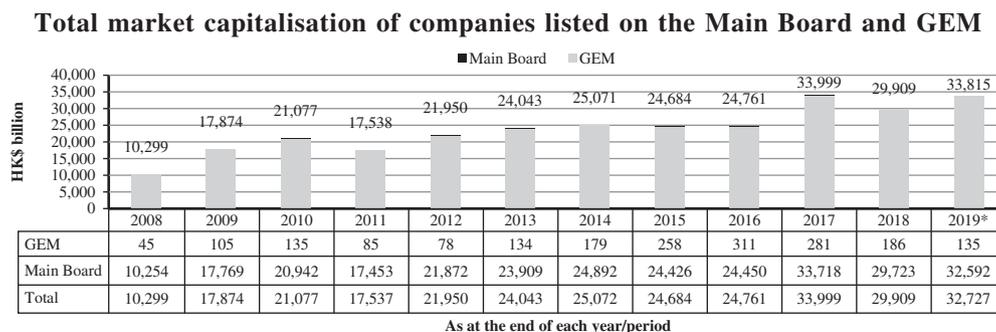
The Shanghai-Hong Kong Stock Connect, a pilot programme that links the stock markets in Shanghai and Hong Kong, was launched in November 2014. In December 2016, the Shenzhen-Hong Kong Stock Connect was launched to cover the Shenzhen Stock Exchange. Subject to investment quota, these pilot programmes allow international and PRC investors to trade securities in each other's markets

INDUSTRY OVERVIEW

through the trading and clearing facilities of their home exchange, promoting fund flows in both directions. It is expected that these pilot programmes would bring more capital into the Hong Kong stock market.

Total market capitalisation of companies listed on the Main Board and GEM

The following chart illustrates the total market capitalisation of companies listed on the Main Board and GEM as at the respective year/period end date from 2008 to 2019.



* As at 30 June 2019

Source: HKEx fact books 2008 and 2018, HKEx monthly bulletin (Main Board) — Stock market highlights (June 2019) and HKGEM market statistics — Stock market highlights (June 2019)

As at 30 June 2019, the market capitalisation of the companies listed on the Main Board and GEM amounted to approximately HK\$32,591.7 billion and HK\$135.0 billion, respectively, with a CAGR of about 11.6% and 11.0% since 31 December 2008, respectively. About 99.6% of total market capitalisation fell to the Main Board as at 30 June 2019.

The Hong Kong securities market suffered a significant downturn in 2008 under the global financial crisis with a total market capitalisation of approximately HK\$10,298.8 billion as at 31 December 2008. Thereafter, the Stock Exchange gradually recovered and reached a market capitalisation of approximately HK\$21,077.0 billion as at 31 December 2010. Affected by European debt crisis, the global financial market experienced a turbulent situation in 2011 and the market capitalisation fell to approximately HK\$17,537.3 billion as at 31 December 2011. The Hong Kong securities market subsequently recovered and remained stable in 2014 to 2016. 2017 was a vibrant year for the Hong Kong securities market and the total market capitalisation rose substantially to approximately HK\$33,998.8 billion as at 31 December 2017. Out of the increased concerns over the U.S. and the PRC trade tensions and the weakening economic outlook in the PRC in the second half of 2018, the total market capitalisation dropped to approximately HK\$29,909.4 billion as at 31 December 2018, and gradually recovered to HK\$32,726.7 billion as at 30 June 2019.

Number of listed companies and new listing applications in Hong Kong

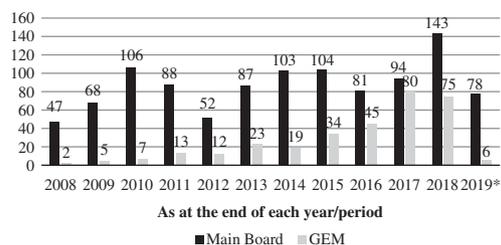
The Stock Exchange operates two markets, the Main Board and GEM, for companies to list their shares. The Main Board is a market for more established companies while GEM is a market with lower listing eligibility criteria but similar continuing obligations compared to the Main Board.

As at 30 June 2019, there were a total of 1,996 companies and 386 companies listed on the Main Board and GEM, respectively, with a CAGR of approximately 6.0% and 7.9% since 31 December 2008, respectively. Among these, 143 and 75 of the listed companies were newly listed on the Main Board and GEM during 2018, respectively, representing a CAGR of approximately 8.5% and 41.0% since 31 December 2014, respectively. The number of new listing applications on the Main Board and GEM was 360 and 129 for 2018, respectively, representing a CAGR of approximately 29.8% and 36.6% since 31 December 2014, respectively.

INDUSTRY OVERVIEW

The following charts illustrate the number of newly listed companies in Hong Kong as at the respective year/period end date from 2008 to 2019 and the number of new listing applications in Hong Kong as at the respective year/period end date from 2014 to 2019.

Number of newly listed companies in Hong Kong⁽¹⁾

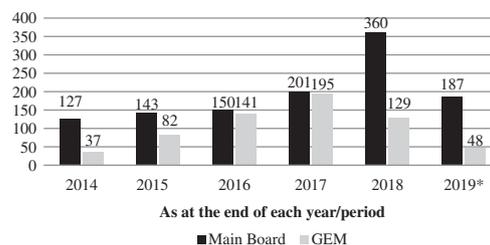


* For the six months ended 30 June 2019

(1) Figures include the number of companies transferred from GEM.

Source: SFC website — Market & industry statistics — Table B2 — number of newly listed companies by stock type © Securities and Futures Commission

Number of new listing applications in Hong Kong⁽¹⁾



* For the six months ended 30 June 2019

(1) Figures include lapsed, withdrawn or rejected applications.

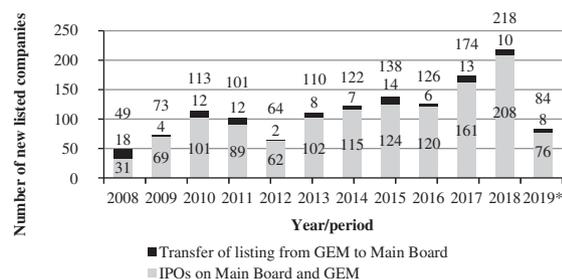
Source: HKExnews — Consolidated index for application proof and PHIP

The increase in the number of listed and newly listed companies and listing applications on the Stock Exchange has created considerable opportunities for our financial service businesses.

FUND RAISING AND TAKEOVERS CODE RELATED ACTIVITIES IN HONG KONG STOCK MARKET

Initial Public Offering

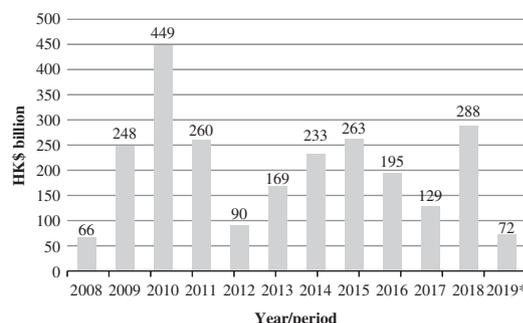
Number of IPOs and transfer of listing from GEM



* For the six months ended 30 June 2019

Source: HKEx fact books 2008 and 2018, HKExnews — New listing report 2019 and HKGEM market statistics — New listings 2019

Funds raised from IPOs on the Main Board and GEM



* For the six months ended 30 June 2019

Source: HKEx fact books 2008 and 2018, HKExnews — New listing report 2019 and HKGEM market statistics — New listings 2019

Hong Kong is one of the leading IPO markets in the world. In 2018, there were 208 IPOs launched in Hong Kong, raising approximately HK\$288.0 billion, more than doubling the amount in 2017 and ranking the Stock Exchange the top of the global stock exchanges in terms of amount raised. In terms of funds raised through IPOs, Hong Kong has been among the world's top five IPO markets in the past 10 years.

Based on the average equity funds raised and the number of newly listed companies, the newly listed companies which have raised equity funds equal or below the average amount on the Main Board or GEM, respectively, are classified as small and medium-cap companies, of which the newly listed companies which ranked the lowest 15% in terms of aggregate equity funds raised on the Main Board or

INDUSTRY OVERVIEW

GEM, respectively, are classified as small-cap companies. The newly listed companies which have raised equity funds above the average amount on the Main Board or GEM are classified as large-cap companies.

Set out below is a table showing the amount of equity funds raised by way of IPO on the Main Board and GEM classified by small-cap, medium-cap and large-cap companies from 2014 to 2019.

	Year ended 31 December											
	2014		2015		2016		2017		2018		2019*	
	(HK\$ million)	No. of case	(HK\$ million)	No. of case								
Main Board												
Small-cap	1,616.8	14	1,476.9	13	1,011.6	11	1,194.6	12	1,942.1	20	1,177.9	10
Medium-cap	55,195.2	61	40,718.2	56	30,164.8	48	20,220.1	51	47,151.0	87	15,693.7	39
Large-cap	<u>173,355.6</u>	<u>15</u>	<u>218,153.4</u>	<u>18</u>	<u>159,444.2</u>	<u>13</u>	<u>101,182.9</u>	<u>17</u>	<u>233,852.4</u>	<u>23</u>	<u>54,570.1</u>	<u>19</u>
Total	<u><u>230,167.6</u></u>	<u><u>90</u></u>	<u><u>260,348.5</u></u>	<u><u>87</u></u>	<u><u>190,620.6</u></u>	<u><u>72</u></u>	<u><u>122,597.6</u></u>	<u><u>80</u></u>	<u><u>282,945.5</u></u>	<u><u>130</u></u>	<u><u>71,441.7</u></u>	<u><u>68</u></u>
GEM												
Small-cap	121.2	3	189.8	5	278.2	7	575.4	12	555.8	11	53.0	1
Medium-cap	840.2	13	1,403.7	21	2,304.5	33	2,901.8	45	1,859.6	31	180.7	3
Large-cap	<u>1,199.1</u>	<u>3</u>	<u>1,147.3</u>	<u>8</u>	<u>2,008.0</u>	<u>5</u>	<u>2,461.1</u>	<u>23</u>	<u>2,645.2</u>	<u>33</u>	<u>167.5</u>	<u>2</u>
Total	<u><u>2,160.5</u></u>	<u><u>19</u></u>	<u><u>2,740.8</u></u>	<u><u>34</u></u>	<u><u>4,590.7</u></u>	<u><u>45</u></u>	<u><u>5,938.3</u></u>	<u><u>80</u></u>	<u><u>5,060.6</u></u>	<u><u>75</u></u>	<u><u>401.2</u></u>	<u><u>6</u></u>

* For the six months ended 30 June 2019

Source: HKExnews — New listing reports and HKGEM market statistics — New listings 2014–2019

In 2018, there were 107 and 42 new IPOs of small and medium-cap companies on the Main Board and GEM, respectively, which represented approximately 82.3% and 56.0% of the total number of new IPOs for the same period. The overall equity fund raising market in Hong Kong mainly consists of small and medium-cap companies in terms of number of IPOs. Our Directors consider that there have been market opportunities of newly listed companies with small and medium-cap and going forward. During the Track Record Period, we mainly focused on small and medium-cap companies for our corporate finance advisory and underwriting businesses. Based on the new listing information provided on HKExnews and HKGEM market statistics, we had approximately 2.4% market share in terms of the number of successful IPOs in 2018.

According to “Mainland China and Hong Kong 2018 Review: IPOs and other market trends” published by an international accounting firm on 11 December 2018, the introduction of a new listing regime had generated significant interest from new economy companies; and despite concerns over the stability of global markets, the international accounting firm remained optimistic on Hong Kong’s IPO activities in 2019, and expected that, in 2019, Hong Kong IPO market will be dominated by small and medium-sized IPOs, with a reduction in total funds raised, and the total IPO proceeds are forecasted to exceed HK\$200 billion with approximately 200 new listings in Hong Kong, though the final figure would heavily depend on the timetables of several mega-sized IPOs. According to “Mainland China and Hong Kong 2019 Mid-Year Review: IPOs and other market trends” published on 26 June 2019 by the same international accounting firm, new economy companies are expected to drive the Hong Kong IPO market in the latter half of 2019 and overseas companies are also expected to be a key driver. The international accounting firm maintained a forecast of Hong Kong IPOs totalling over HK\$200 billion in 2019 and considered that the Hong Kong stock market is on track to end the year among the top three IPO destinations globally. Based on the above, our Directors consider the continuous growth of IPO market will benefit our continuous business development.

INDUSTRY OVERVIEW

Secondary fund raising activities in Hong Kong

Set out below is a breakdown of equity funds raised in the secondary market from 2014 to 2019.

	2014	2015	2016	2017	<i>(HK\$ million)</i>	
					2018	2019*
Main Board						
Rights issue	78,623	116,507	53,768	56,480	32,193	4,021
Placing	295,467	424,139	147,104	335,318	137,664	50,855
Others ⁽¹⁾	324,953	287,761	79,575	53,006	80,414	18,481
Total	699,043	828,407	280,447	444,804	250,271	73,357
GEM						
Rights issue	3,466	5,114	3,495	2,454	308	132
Placing	4,920	12,226	6,977	4,011	2,642	1,327
Others ⁽¹⁾	2,771	1,916	3,819	1,581	2,909	854
Total	11,157	19,256	14,291	8,046	5,859	2,313

* For the six months ended 30 June 2019

(1) "Others" include warrants exercised, consideration issue and share option scheme.

Source: SFC website — Market & industry statistics — Table B3 — equity funds raised directly and indirectly through Hong Kong © Securities and Futures Commission

The performance of the secondary market in Hong Kong experienced fluctuation in the past years. The amount of funds raised from rights issue, placing and others (including issue of consideration shares, warrants and share options) increased from approximately HK\$710.3 billion in 2014 to approximately HK\$847.6 billion in 2015 but dropped to approximately HK\$255.2 billion in 2018.

Fund raising activities conducted by listed companies may require listed companies to engage a financial adviser or an independent financial adviser to provide financial advisory services. We provide financial advisory services to secondary fund raising activities of listed companies in Hong Kong. More fund raising activities in Hong Kong will widen the pool of potential clients for us.

Takeovers Code related matters

General and partial offers, privatisations, share repurchases and whitewash waiver applications affecting public companies in Hong Kong are governed by the Takeovers Code. According to the statistics published in the 2018–2019 annual report of the SFC, there were 91 Takeovers Code related transactions and 282 Takeovers Code related applications for the year ended 31 March 2019. Set out below is a breakdown of takeover activities from 2013/14 to 2018/19.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Number of Takeovers Code related transactions (whitewash waiver applications) ⁽¹⁾	81 (39)	96 (31)	109 (51)	127 (37)	112 (41)	91 (21)
Number of other applications under the Takeovers Code	209	288	326	367	289	282

(1) The numbers comprise general and partial offers under the Takeovers Code, privatisations, whitewash waiver applications and off-market and general offer share buy-backs.

Source: SFC website — Annual reports 2013–2019

Takeovers Code related transactions, including general and partial offers, privatisations, share repurchases and whitewash waiver applications, usually require financial advisory and/or independent financial advisory services pursuant to the relevant requirements under the Takeovers Code. Our Directors consider that the outlook of our corporate finance advisory business relating to the Takeovers Code will be positive.

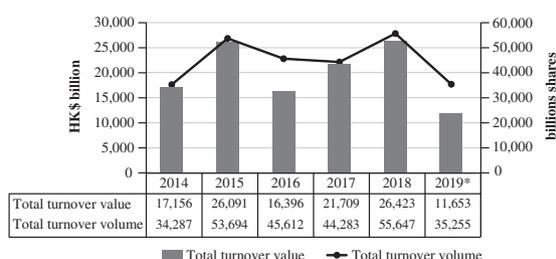
INDUSTRY OVERVIEW

SECURITIES DEALING AND BROKERAGE INDUSTRY IN HONG KONG

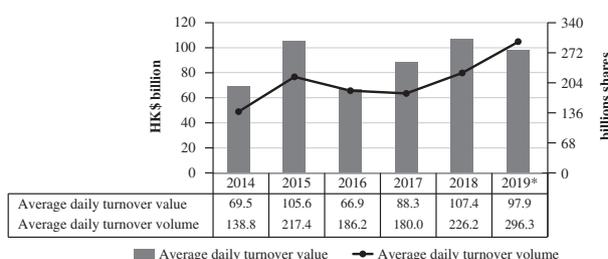
Market trends of securities dealing brokerage business in Hong Kong

Performance of Hong Kong's stock market has experienced fluctuation over the past five years in terms of turnover value. The total turnover value of the Stock Exchange grew from approximately HK\$17,155.7 billion in 2014 to approximately HK\$26,090.6 billion in 2015, dropped to approximately HK\$16,396.4 billion in 2016, and rebounded to approximately HK\$26,422.8 billion in 2018. On the other hand, the total turnover volume of the Stock Exchange increased from approximately 34,286.7 billion shares in 2014 to approximately 53,693.9 billion shares in 2015, experienced a drop to approximately 45,611.9 billion shares in 2016 and rebounded to approximately 55,646.8 billion shares in 2018. The following graphs illustrate the total and average daily turnover value and volume of the Stock Exchange from 2014 to 2019.

**Total turnover value and volume,
2014–2019**



**Average daily turnover value and volume,
2014–2019**

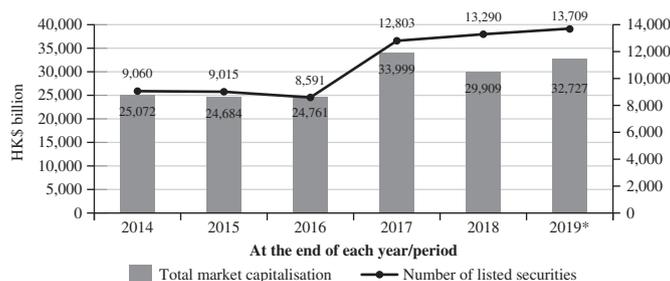


* For the six months ended 30 June 2019

Source: HKEx fact book 2018 and HKEx securities and derivatives markets quarterly reports (1st and 2nd quarters 2019)

The market capitalisation of listed securities has also experienced undulation in the past five years. Overall speaking, the market capitalisation of the Stock Exchange increased from approximately HK\$25,071.8 billion as at 31 December 2014 to approximately HK\$32,726.7 billion as at 30 June 2019. In line with the general trend of market capitalisation, the number of listed securities on the Stock Exchange also increased from 9,060 as at 31 December 2014 to 13,709 as at 30 June 2019. The graph below illustrates the total market capitalisation and the aggregated number of listed securities on the Main Board and GEM as at the respective year/period end date from 2014 to 2019.

**Total market capitalisation and aggregated number of listed securities⁽¹⁾
on Main Board and GEM, 2014–2019**



* As at 30 June 2019

(1) Listed securities include ordinary shares, preferred ordinary/preference shares, warrants, callable bull/bear contracts, equity instruments, debt securities and unit trust/mutual fund listed on the Stock Exchange.

Source: HKEx fact book 2018 and HKEx securities and derivatives markets quarterly reports (1st and 2nd quarters 2019)

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The stock markets in Hong Kong and the PRC experienced a downturn in 2018 and remained unstable in the first half of 2019. Hang Seng Index and Shanghai Shenzhen CSI 300 Index decreased from around 30,000 points and around 4,000 points, respectively, on the first trading day in 2018 to lower than 26,000 points and 3,100 points, respectively, on the last trading day in 2018, rebounded to over 28,000 points and 4,000 points, respectively, on trading day(s) in April 2019 and fell back to below 27,000 points and 3,600 points, respectively, on trading day(s) in June 2019. Stock markets are impacted by global and local macroeconomic condition and policies. In view of the recent development affecting Hong Kong and the PRC economy including but not limited to the United States-China trade friction and the weakening of RMB, the stock markets of Hong Kong and the PRC may continue to be turbulent in the near future.

Stock Exchange Participants

In order to trade in securities through the trading facilities of the Stock Exchange, a participant shall, among other things, hold a Stock Exchange Trading Right and be a Stock Exchange Participant. It must also be a licensed corporation under the SFO for Type 1 (dealing in securities) regulated activity. Stock Exchange Participants are divided into three categories by the Stock Exchange based on their positions:

- (a) Category A (the top 14 firms);
- (b) Category B (15th to 65th); and
- (c) Category C (the remaining firms in the stock market).

The following chart illustrates the respective market shares of different categories of Stock Exchange Participants from 2014 to 2019.

Distribution of Stock Exchange Participants' market share in terms of turnover⁽¹⁾, 2014–2019

Participants	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019* (%)
Category A	54.2	52.3	56.6	54.6	55.7	56.9
Category B	34.2	35.3	32.9	34.9	35.7	35.4
Category C	11.6	12.4	10.5	10.5	8.7	7.7

* For the six months ended 30 June 2019

(1) Turnover includes securities trading and value of shares when stock options were exercised.

Source: *HKEx fact book 2018 and HKEx website — Stock Exchange participants' market share report*

Hong Kong's securities dealing and brokerage market is dominated by the 14 Stock Exchange Participants under Category A that accounted for approximately 55.7% market share in terms of turnover for 2018. The market share of Stock Exchange Participants under Category A and Category C has experienced a decline from approximately 56.6% and 10.5%, respectively, in 2016 to approximately 55.7% and 8.7%, respectively, in 2018, while the market share the Stock Exchange Participants under Category B has recorded an increase from approximately 32.9% in 2016 to approximately 35.7% in 2018. We are a Category C Stock Exchange Participant and are currently holding one Stock Exchange Right.

Securities products traded on the Stock Exchange

Securities traded on the Main Board 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. Throughout the years from 2014 to 2019, equities remained as the major securities product traded on both the Main Board and GEM. We provide securities dealing brokerage services through Lego Securities, which is licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. The following table sets forth the total turnover value by securities product type on the Main Board and GEM from 2014 to 2019.

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Total turnover value by securities product type on the Main Board and GEM, 2014–2019

	Year ended 31 December					
	2014	2015	2016	2017	2018	2019*
	(HK\$ billion)					
Equities	12,636.7	17,482.2	11,173.1	16,202.5	19,461.0	8,212.8
Equity warrants	3.1	4.0	0.4	0.2	0.02	0.00
Derivative warrants	2,044.5	4,504.1	2,727.0	3,007.7	3,866.1	1,624.6
Callable bull/bear contracts	1,230.0	1,836.8	1,371.6	1,189.2	1,837.3	1,090.5
Debt securities	6.1	9.4	21.3	60.5	48.4	34.1
Unit trusts and mutual funds	1,235.3	2,254.1	1,103.1	1,249.2	1,209.9	691.4
Total	17,155.7	26,090.6	16,396.4	21,709.2	26,422.8	11,653.4

* For the six months ended 30 June 2019

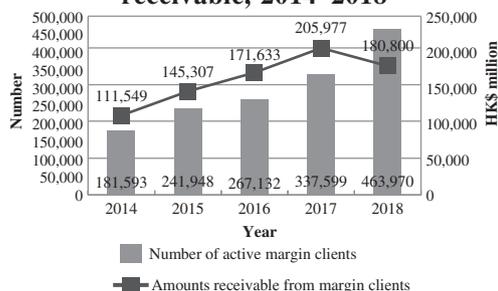
Source: HKEx fact book 2018 and HKEx securities and derivatives markets quarterly report (2nd quarter 2019)

SECURITIES FINANCING

To supplement the securities dealing and brokerage business and to broaden the revenue source, licensed corporations for dealing in securities offer securities financing to their clients so as to facilitate their purchase of securities on the secondary market and subscription for shares offered under public tranche of IPOs.

The following charts set forth some basic information in relation to the securities financing business in Hong Kong from 2014 to 2018.

Number of active margin clients and amounts receivable, 2014–2018



Number of securities dealers and securities margin financiers, 2014–2018



Source: SFC Financial Review of the Securities Industry 2014 to 2018

From 2014 to 2018, the total number of active margin clients increased from 181,593 to 463,970 at a CAGR of approximately 26.4%, and amounts receivable had grown from approximately HK\$111.5 billion to HK\$180.8 billion at a CAGR of approximately 12.8%. According to the SFC Financial Review of the Securities Industry for the year ended 31 December 2018, the net profit of all securities dealers and securities margin financiers was approximately HK\$38.3 billion for the year ended 31 December 2018, of which the net securities commission income increased by approximately 4.8% to approximately HK\$24.2 billion (2017: HK\$23.1 billion) and gross interest income increased by approximately 30.2% to approximately HK\$22.5 billion (2017: HK\$17.3 billion). In 2018, the total value of transactions of all securities dealers and securities margin financiers (including trading in equities, bonds and other securities in Hong Kong and overseas) was approximately HK\$89,678.4 billion, compared to approximately HK\$73,901.4 billion in 2017.

ASSET MANAGEMENT

Asset management refers to the investment advisory and management of investment funds and securities by holding the licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Investment funds manage assets of various asset classes (shares, bonds

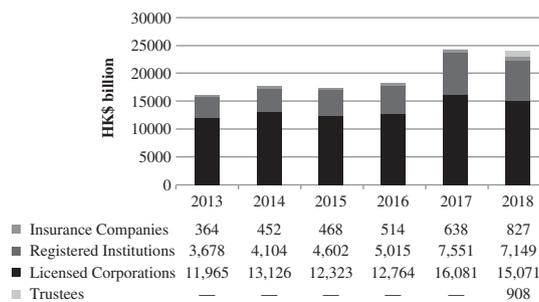
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and derivatives) and other assets (e.g. real estate) in order to meet specified investment objectives for the benefit of the investors. Major market players engaging in asset management business in Hong Kong comprise licensed corporations (such as 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. We provide investment advisory and asset management services through Lego Asset Management, which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Breakdown of assets and wealth management business

According to the Asset and Wealth Management Activities Survey (previously known as the Fund Management Activities Survey) 2018 published by the SFC in July 2019, the asset and wealth management business⁽¹⁾ in 2018 in Hong Kong amounted to approximately HK\$23,955 billion as at 31 December 2018. The following chart illustrates a breakdown of the asset and wealth management business in Hong Kong by the three types of major market players from 2013 to 2018.

Breakdown of asset and wealth management business, 2013–2018



- (1) The scope of the Asset and Wealth Management Activities Survey 2017, compared with the Fund Management Activities Survey 2013–2016, was extended to cover the total assets under private banking and private wealth management clients' accounts generated, managed or served by Hong Kong relationship managers of licensed corporations and registered institutions which are part of a larger banking group, or which the relationship managers are accountable. The scope of the Asset and Wealth Management Activities Survey 2018, compared to the Asset and Wealth Management Activities Survey 2017, was extended to cover the assets held by firms providing trust services in Hong Kong, no comparative figures are available for this extended scope in 2013 to 2017.

Source: *Asset and Wealth Management Activities Surveys 2017–2018 and Fund Management Activities Surveys 2013–2016* published by SFC © Securities and Futures Commission

COMPETITIVE LANDSCAPE

Our main business is advising on corporate finance, which is provided by Lego Corporate Finance. Lego Corporate Finance is licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Set out below is the number of licensed corporations, registered institutions, Responsible/approved Officers and Licensed Representatives for Type 6 (advising on corporate finance) regulated activity under the SFO as at the respective year/period end date from 2014 to 2019.

	Number of regulated activities of:			
	Licensed corporations	Registered institutions	Responsible/ approved Officers	Licensed Representatives
Type 6 (advising on corporate finance) as at 31 December:				
2014	267	37	893	3,828
2015	275	35	909	4,051
2016	288	33	963	4,122
2017	315	35	1,067	4,408
2018	331	35	1,172	4,828
2019*	333	35	1,207	4,932

*As at 30 June 2019

Source: SFC website — Market & industry statistics — Table C2 — number of regulated activities of licensed corporations, Table C3 — registered institutions, Table C4 — licensed representatives and Table C5 — responsible/approved officers © Securities and Futures Commission

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With the increasing number of qualified licensed corporations, our Directors consider that we operate in a highly competitive environment in respect of the main businesses of Lego Corporate Finance.

We provide securities dealing brokerage services through Lego Securities, which is licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Set out below is the number of licensed corporations, registered institutions, Responsible/approved Officers and Licensed Representatives for Type 1 (dealing in securities) regulated activity under the SFO as at the respective year/period end date from 2014 to 2019.

	Number of regulated activities of:			
	Licensed corporations	Registered institutions	Responsible/ approved Officers	Licensed Representatives
Type 1 (dealing in securities) as at 31 December:				
2014	973	117	3,284	24,656
2015	1,024	118	3,434	25,765
2016	1,129	121	3,770	25,866
2017	1,247	119	4,163	26,309
2018	1,350	117	4,625	27,008
2019*	1,397	115	4,771	27,327

* As at 30 June 2019

Source: SFC website — Market & industry statistics — Table C2 — number of regulated activities of licensed corporations, Table C3 — registered institutions, Table C4 — licensed representatives and Table C5 — responsible/approved officers © Securities and Futures Commission

We provide asset management services through Lego Asset Management, which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Set out below is the number of licensed corporations, registered institutions, Responsible/approved officers and Licensed Representatives for Type 9 (asset management) regulated activity under the SFO as at the respective year/period and date from 2014 to 2019.

	Number of regulated activities of:			
	Licensed corporations	Registered institutions	Responsible/ approved Officers	Licensed Representatives
Type 9 (asset management) as at 31 December:				
2014	1,031	43	2,501	5,228
2015	1,135	42	2,751	5,821
2016	1,300	40	3,177	6,366
2017	1,477	36	3,576	6,954
2018	1,643	35	4,101	7,588
2019*	1,746	35	4,300	7,946

* As at 30 June 2019

Source: SFC website — Market & industry statistics — Table C2 — number of regulated activities of licensed corporations, Table C3 — Registered Institutions, Table C4 — licensed representatives and Table C5 — responsible/approved officers © Securities and Futures Commission

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GROWTH DRIVERS AND DEVELOPMENT TRENDS OF HONG KONG CAPITAL MARKET

The Hong Kong capital market has experienced a long history of development. The main drivers include the following:

Well-established financial and legal systems with comprehensive regulatory regime

Hong Kong has a well-established and transparent legal system. As the only common law jurisdiction in the PRC, Hong Kong has established its reputation for sophisticated capital market's regulatory system, which is widely accepted in the world. The SFO provides the legal regime for comprehensive supervision of the securities industry, while the functioning of the Hong Kong capital market is regulated by the rules and regulations of the Stock Exchange. The supervision of the SFC and the Stock Exchange on Hong Kong capital market ensures regular and normative operation of the market.

Free-flow capital market

Hong Kong capital market has a high level of openness to and freedom of capital flow. There is no limit on foreign investments imposed in the Hong Kong stock market. Local investors can freely participate in investment in free capital markets overseas. There is also no foreign exchange control. Such free flow of capital and barrier-free investment attracted overseas institutions and made significant contribution to the development of the Hong Kong capital market. This also allows the development of diversified financial instruments and mergers and acquisitions and financing activities to be conducted conveniently.

Diversified financial products

The Hong Kong capital market continues to develop new products and financial instruments that offer a variety of investment opportunities to suit the appetite and needs of different investors. The securities market of Hong Kong is currently composed of securities (including equities, exchange traded products, derivative warrants, callable bull/bear contracts, real estate investment trusts and debt securities), listed derivatives (including equity index, single stock futures and options, foreign exchange, interest rate, commodities), and over-the-counter derivatives (including eligible over-the-counter clear products, interest rate swaps, non-deliverable forwards, cross currency swaps and derivative foreign exchange).

Investment globalisation of PRC investors

As an international financial hub and offshore Renminbi centre backed by mature financial and transparent legal systems, the Hong Kong capital market will continue to be benefited by the influx of capitals from the PRC. The introduction of Shanghai-Hong Kong Stock Connect program and the Shenzhen-Hong Kong Stock Connect program strengthen the Hong Kong capital market's role as a bridge between PRC and overseas markets.

Continuous development of the PRC macro-economy

According to the HKEx monthly market highlights for June 2019, the number of Mainland enterprises (including H-shares, red chips stocks and Mainland private enterprises) accounted for approximately 50.3% of total number of listed companies on the Stock Exchange as at 30 June 2019, and the total turnover value of Mainland enterprises represented approximately 78.6% of the total equity turnover of the Stock Exchange in June 2019. The stable growth of the PRC macro-

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economy together with the investment globalisation of the PRC investors are expected to continue to foster the sustainable development of Hong Kong as an attractive investment platform for capital from the PRC.

ENTRY BARRIERS TO THE FINANCIAL AND SECURITIES SERVICES INDUSTRY IN HONG KONG

The main entry barriers into the Hong Kong securities market include the following:

Regulatory requirements

As a highly regulated industry, the licensing requirements imposed by the SFC must be met and the cost for new entrants to comply with and fulfil licensing conditions and ongoing regulatory requirements is high. The SFC operates a system of authorising corporations and individuals to act as financial intermediaries through licences. Through licensing, the SFC regulates the financial intermediaries of licensed corporations and individuals that are carrying out the regulated activities, including mainly dealing in and advising on securities and futures, leveraging foreign exchange trading, asset management, and so on.

Requirement to comply with the FRR

All licensed corporations are required to comply with the capital requirements of the FRR in order to become and remain licensed by the SFC. Licensed corporations are required to have sufficient liquid assets to meet ongoing liabilities as they fall due and to periodically report their financial positions to the SFC. New entrants and existing licensed corporations may face challenges from meeting the requirements regulated by the FRR.

Fierce competition

Various licensed corporations, including international large-scale investment banks, PRC-funded securities groups, and local securities companies, are competing intensively for larger market share. New entrants need to compete with leading players or other established players in the industry who usually have years of experience, pool of talents, sound reputation, large client base and network accumulation in the market, with mature business models and operational processes.

Human capital constraint

The securities and futures industry is labour intensive and the requirement to employ skilled professionals as Licensed Representatives and Responsible Officers are critical for the provision of quality services. It may be costly for new entrants to comply with and fulfil licensing conditions by attracting or retaining such skilled professionals.

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OVERVIEW

Our operations are subject to various laws and regulations in Hong Kong where we operate. This section sets out summaries of certain aspects of Hong Kong laws and regulations which are relevant to our Group's operations and business.

LICENSING AND REGISTRATION UNDER THE SFO ADMINISTERED BY THE SFC

The SFC

The SFC is an independent statutory body set up in 1989 to regulate Hong Kong's securities and futures markets. It operates independently of the Government of Hong Kong, and is funded mainly by transaction levies and licensing fees.

The SFC derives its investigative, remedial and disciplinary powers from the SFO and the subsidiary legislations thereunder. The SFO, in particular, vested the SFC with multiple roles and sets out its regulatory objectives, including:

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

The SFC is one of the four financial regulators in Hong Kong charged with oversight of finance and investing, but it is the only Hong Kong financial regulator that is given the mandate to educate the investing public. Following the enactment of the Securities and Futures (Amendment) Ordinance 2012, the Investor Education Centre (now known as the Investor and Financial Education Council) was formed as a SFC subsidiary to educate the public on a broad range of retail financial products and services.

Who the SFC regulates

The SFC regulates the following participants, including investors, in the securities and futures market in achieving the regulatory objectives under the SFO:

- Brokers, investment advisers, fund managers and intermediaries carrying out the regulated activities as listed in "Types of regulated activities" below
- Investment products

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- Listed companies
- HKEX
- Automated trading service providers
- Approved share registrars
- Investor Compensation Company Limited
- Market participants (including investors)

Licensing regime under the SFO

Overview of licensing regime

Generally, the SFO provides that a corporation which is not an authorised financial institution (as defined in section 2(1) of the Banking Ordinance) and is (i) carrying on a business in a regulated activity (or holding out as carrying on a business in a regulated activity); or (ii) actively marketing (whether in Hong Kong or from a place outside Hong Kong) to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong, has to be licensed by the SFC to carry out that regulated activity, unless one of the exemptions under the SFO applies.

In addition, an individual performing a regulated function (meaning any function performed for or on behalf of or by arrangement with the person relating to the regulated activity, other than work ordinarily performed by an accountant, clerk or cashier) for the principal which is a licensed corporation in relation to a regulated activity carried on as a business has to be licensed separately under the SFO as a Licensed Representative accredited to the principal.

For each regulated activity conducted by a licensed corporation, it must appoint no less than two Responsible Officers, at least one of them must be an executive director, to supervise the business of such regulated activity. As defined in section 113(1) of the SFO, “executive director”, in relation to a licensed corporation, means a director of the corporation who (i) actively participates in; or (ii) is responsible for directly supervising the business of a regulated activity for which the corporation is licensed. All the executive director(s) must seek the SFC’s approval as Responsible Officer(s) accredited to the licensed corporation.

The same individual could apply to be a Responsible Officer for more than one regulated activity simultaneously provided that he/she meets the fit and proper (including competence) requirements for the regulated activity concerned, and demonstrate that there is no conflict of interest for he/she to carry on the regulated activities concurrently. In addition, the same individual could apply to be a Responsible Officer for more than one licensed corporation simultaneously provided that he/she can demonstrate there is no conflict of interest.

It is an offence for a person to conduct any regulated activity without the required licence.

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Types of regulated activities

Schedule 5 to the SFO stipulates 10 types of regulated activities, namely:

- Type 1: Dealing in securities
- Type 2: Dealing in futures contracts
- Type 3: Leveraged foreign exchange trading
- Type 4: Advising on securities
- Type 5: Advising on futures contracts
- Type 6: Advising on corporate finance
- Type 7: Providing automated trading services
- Type 8: Securities margin financing
- Type 9: Asset management
- Type 10: Providing credit rating services

As at the Latest Practicable Date, our Group carried on and is licensed for Type 1, Type 4, Type 6 and Type 9 of the above regulated activities. The foregoing licenses of our Group have no expiry date and remain in force until suspended or revoked, subject to certain continuing obligations, such as payment of annual fee and submission of annual return.

Types of intermediary and licensed individual

The types of intermediaries regulated by the SFC comprise the following:

(i) *Licensed corporation*

Full licensed corporation: A corporation (that is not an authorised financial institution) which is granted a licence to carry on one or more regulated activities under section 116 of the SFO.

Temporary licensed corporation: A corporation (that is not an authorised financial institution) which is granted a temporary licence to carry on, for a period not exceeding three months, one or more regulated activities (other than Type 3 (leveraged foreign exchange trading), Type 7 (providing automated trading services), Type 8 (securities margin financing) and Type 9 (asset management)) under section 117 of the SFO.

(ii) **Registered institution:** An authorised financial institution which is registered to carry on one or more than one regulated activity, other than Type 3 (leveraged foreign exchange trading) and Type 8 (securities margin financing) regulated activities, under section 119 of the SFO.

(iii) **Responsible Officer:** A Licensed Representative who is also approved as a Responsible Officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he/she is accredited.

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(iv) Licensed Representative

Full Licensed Representative: An individual who is granted a licence under section 120(1) of the SFO to carry on one or more regulated activities for a licensed corporation to which he/she is accredited.

Provisional Licensed Representative: An individual who is granted a provisional licence under section 120(2) of the SFO to carry on one or more regulated activities for a licensed corporation to which he/she is accredited (prior to the grant of her/his licence under section 120(1) of the SFO).

Temporary Licensed Representative: An individual who is granted a temporary licence under section 121 of the SFO to carry on, for a period not exceeding three months, one or more regulated activities for a corporation licensed under section 116 or 117 of the SFO to which he/she is accredited.

Licensing requirements

Fit and proper requirements

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

In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable. Pursuant to section 129(1) of the SFO, in considering whether a person, an individual, corporation or institution, is fit and proper for the purpose of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant, have regard to the following:

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

of the applicant and other relevant persons as appropriate.

The above fit and proper criteria serve as the fundamental basis when the SFC considers each licence or registration application. Detailed guidelines are contained in the Fit and Proper Guidelines, the Licensing Handbook and the Guidelines on Competence.

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The Fit and Proper Guidelines apply to a number of persons including the following:

- an individual who applies for licence or is licensed under Part V of the SFO;
- a Licensed Representative who applies for approval or is approved as a Responsible Officer under Part V of the SFO;
- a corporation which applies for licence or is licensed under Part V of the SFO;
- an authorised financial institution which applies for registration or is registered under Part V of the SFO;
- an individual whose name is to be or is entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance; and
- an individual who applies to be or has been given consent to act as an executive director of a registered institution under section 71C of the Banking Ordinance.

Section 129(2) of the SFO empowers the SFC to take into consideration any of the following in considering whether a person is fit and proper:

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

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

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Licensed corporation

For application as a licensed corporation, the applicant has to be incorporated and the licensed corporation has to satisfy the SFC that it has proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed regulated business as detailed in the business plan submitted to the SFC. Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- the Guidelines on Competence;
- the Code of Conduct;
- the Fit and Proper Guidelines;
- the Internal Control Guidelines;
- the Corporate Finance Adviser Code of Conduct published by the SFC in October 2013 (the “CFA Code”); and
- the Fund Manager Code of Conduct published by the SFC in November 2018.

Responsible Officer

A person who intends to apply to be a Responsible Officer must demonstrate that he/she fulfils the requirements on both competence and sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation’s regulated activity(ies). Accordingly, the applicant has to fulfil certain requirements on academic and industry qualifications, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

If a Responsible Officer intends to conduct regulated activities in relation to matters falling within the ambit of a particular code issued by the SFC, for instance, the Takeovers Code, additional competence requirements specific to the Takeovers Code would apply to Responsible Officers who carry on Type 6 (advising on corporate finance) regulated activity.

Sponsors and compliance advisers

A sponsor is a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a sponsor in respect of an application for the listing of any securities on a recognised stock market under the GEM Listing Rules or the Listing Rules (as the case may be).

A compliance adviser is a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity, and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a compliance adviser under the GEM Listing Rules or the Listing Rules (as the case may be). The main role of a compliance adviser

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is to ensure that the listed company is properly guided and advised as to compliance with the GEM Listing Rules or the Listing Rules (as the case may be) and all other applicable rules, laws, codes and guidelines. Only firms eligible to act as sponsors are eligible to act as compliance advisers.

Under the sponsor regime established in January 2007, in order to act as a sponsor, apart from holding a Type 6 (advising on corporate finance) licence, an application for sponsor licence should be submitted to the SFC to demonstrate that it can meet the eligibility criteria pursuant to the Sponsor Guidelines. In considering the sponsor licence application, the SFC will take into account the competency of the firm to act as a sponsor, based on the criteria set out in the Sponsor Guidelines, and will also consider more generally the firm's fitness and properness as a corporate finance advisory firm under the Fit and Proper Guidelines.

Effective from 1 October 2013, the enhanced regulations on IPO sponsors and the key obligations of IPO sponsors have been consolidated in paragraph 17 of the Code of Conduct. The key requirements for a sponsor under the new sponsor regime are as follows:

- to advise and guide a listing applicant in preparation for a listing;
- to take reasonable due diligence steps in respect of a listing application;
- to take reasonable steps to ensure that true, accurate and complete disclosure about a listing applicant is made to the public;
- to deal with the regulators in a truthful, cooperative and prompt manner;
- to maintain proper books and records that are sufficient to demonstrate its compliance with the Code of Conduct;
- to maintain sufficient resources and effective systems and controls for proper implementation and adequate management oversight of the sponsor work;
- to act as the overall manager of a public offer to ensure that the public offer is conducted in a fair and orderly manner; and
- to take reasonable steps to ensure analysts do not receive material information not disclosed in the listing document.

In addition, pursuant to Appendix 28 of the Listing Rules in relation to transition arrangements for eligible issuer (as defined in Rule 9A.01A of the Listing Rules) ("**Eligible Issuer**"), an Eligible Issuer must appoint a sponsor to conduct due diligence in connection with the transfer of its listing from GEM to the Main Board during the transitional period of three years from 15 February 2018 to 14 February 2021.

The Listing Rules, the GEM Listing Rules, the Sponsor Guidelines and the CFA Code regulate sponsor's obligations and responsibilities. The intermediary and its management (includes a sponsor's board of directors, managing director, chief executive officer, Responsible Officers, executive officers and other senior management personnel) shall be responsible for ensuring that the firm satisfies all

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specific and ongoing eligibility criteria of the Sponsor Guidelines and paragraph 17 of the Code of Conduct, as well as complies with all other relevant codes, guidelines and regulations prescribed by the SFC.

In order to maintain the eligibility as sponsor, a sponsor should have at least two sponsor principals, who should be engaged by the sponsor for the purpose of conducting sponsor-related work on a full-time basis, at all times to discharge its role in supervising the transaction team. The GEM Listing Rules or the Listing Rules (as the case may be) require an issuer to appoint a compliance adviser during an initial period after being admitted to listing and the compliance adviser's core role is to assist the issuer to comply with certain obligations under the Listing Rules or GEM Listing Rules (as the case may be) during such a period.

On 13 January 2016, Lego Corporate Finance was granted by the SFC with the licence to carry on Type 6 (advising on corporate finance) regulated activity and was admitted as a sponsor. As at the Latest Practicable Date, Lego Corporate Finance was engaged in the provision of corporate finance advisory services, which mainly included (i) IPO sponsorship services; (ii) financial advisory and independent financial advisory services; and (iii) compliance advisory services. For further details, please refer to "Business — Our business activities — (i) Corporate finance advisory services".

Key ongoing obligations

Remaining fit and proper

Licensed corporations, Licensed Representatives, Responsible Officers and registered institutions must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary legislations as well as the codes and guidelines issued by the SFC.

Minimum capital requirements

Section 145 of the SFO provides that depending on the types of regulated activity a licensed corporation conducts, a licensed corporation is required to maintain at all times paid-up share capital and liquid capital not less than the specified amounts in the FRR.

The following table summarises the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities:

Regulated activity	Minimum paid-up share capital	Minimum liquid capital
Type 1 (dealing in securities)		
(a) in the case where the corporation is an approved introducing agent or a trader	Not applicable	HK\$500,000
(b) in the case where the corporation provides securities margin financing	HK\$10,000,000	HK\$3,000,000
(c) in any other case	HK\$5,000,000	HK\$3,000,000

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Regulated activity	Minimum paid-up share capital	Minimum liquid capital
Type 4 (advising on securities)		
(a) in the case where in relation to Type 4 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(b) in any other case	HK\$5,000,000	HK\$3,000,000
Type 6 (advising on corporate finance)		
(a) in the case where the corporation acts as a sponsor:		
— hold client assets	HK\$10,000,000	HK\$3,000,000
— not hold client assets	HK\$10,000,000	HK\$100,000
(b) in the case where the corporation does not act as a sponsor:		
— hold client assets	HK\$5,000,000	HK\$3,000,000
— not hold client assets	Not applicable	HK\$100,000
Type 9 (asset management)		
(a) in the case where in relation to Type 9 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(b) in any other case	HK\$5,000,000	HK\$3,000,000

Source: Schedule 1 to the FRR and the Licensing Handbook

Pursuant to the FRR, if the licensed corporation is licensed for more than one regulated activity, the minimum paid-up share capital and liquid capital that the corporation should maintain shall be the highest amount required among those regulated activities.

The minimum paid-up share capital and minimum liquid capital requirements applicable to our Group are as follows:

Licensed corporation	Minimum paid-up share capital	Minimum liquid capital
Lego Corporate Finance	HK\$10,000,000	HK\$100,000
Lego Securities	HK\$10,000,000	HK\$3,000,000
Lego Asset Management	Not applicable	HK\$100,000

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Notification to the SFC of certain events and changes

Pursuant to sections 123 and 135 of the SFO and the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong), licensed corporations, licensed individuals and registered institutions are required to notify the SFC within the specified time limit of certain events and changes in their particulars, which include, *inter alia*, any intended cessation to carry on any regulated activity for which he/she/it is licensed, any intended change of address at which it proposes to carry on the regulated activity for which it is licensed and any cessation to be a director of a licensed corporation.

Submission of audited accounts

Section 156(1) of the SFO provides that licensed corporations and associated entities of intermediaries (except those which are authorised financial institutions) shall submit their audited accounts and other required documents within four months after the end of each financial year.

If a licensed corporation ceases carrying on all of the regulated activities for which it is licensed, it should submit to the SFC its audited accounts and other required documents, made up to the date of cessation, not later than four months after the date of the cessation. The same requirement applies to an associated entity (which is not an authorised financial institution) of an intermediary upon its ceasing to be an associated entity of the intermediary under section 156(2) of the SFO.

Submission of financial resources returns

Licensed corporations are required to submit monthly financial resources returns to the SFC. However, pursuant to section 56 of the FRR, corporations that are licensed only for Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 9 (asset management) and/or Type 10 (providing credit rating services) regulated activities and whose licences are subject to the condition that they shall not hold client assets, are only required to submit semi-annual financial resources returns.

Payment of annual fees

Sections 138(1) and (2) of the SFO provide that each licensed person or registered institution shall pay an annual fee to the SFC within one month after each anniversary date of his/her/its licence or registration. Failure to make full payment of the annual fee before the due date will attract a surcharge on the outstanding amount and possible suspension and revocation of a licence or registration under sections 138(3), 195(4)(a) and 195(6) of the SFO.

Pursuant to circulars published by the SFC on 24 March 2016 and 15 March 2018, the SFC waived the obligation of all licensed corporations, registered institutions, Responsible Officers and representatives to pay the annual licensing fees that would otherwise be payable by them during the period from 1 April 2016 to 31 March 2019.

Pursuant to a circular published by the SFC on 25 March 2019, the SFC decided to resume the collection of annual licensing fees at a concession rate from 1 April 2019 to 31 March 2021.

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Submission of annual returns

Section 138(4) of the SFO stipulates that each licensed corporation or licensed individual is required to submit an annual return to the SFC within one month after each anniversary date of his/her/its licences. Failure to submit annual return before the due date could result in suspension and revocation of the licence under sections 195(4)(b) and 195(6) of the SFO.

Continuous professional training (“CPT”)

Licensed corporations and registered institutions are primarily responsible for designing and implementing a continuous education programme best suited to the training needs of the Licensed Representatives or relevant individuals they engage.

The SFC has issued in March 2003 the Guidelines on Continuous Professional Training pursuant to section 399 of the SFO. Licensed individuals and relevant individuals of registered institutions are generally required to complete five CPT hours per calendar year for each regulated activity which they may carry out, except for Type 7 (providing automated trading services) regulated activity. Failure to comply with the guidelines on CPT may reflect adversely on the fitness and properness of a person to continue to carry on the regulated activity.

Obligation for substantial shareholders

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

Variation of regulated activity specified in licence or certificate of registration

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

Modification or waiver of licensing requirements

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

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Maintenance of insurance against specified risks

Under section 116(3)(c)(ii) of the SFO, corporations that are licensed to carry on certain regulated activities are required, as a condition of their licences, to take out and maintain insurance in the manner prescribed by the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong). In particular, before or at such time when the corporation becomes a Stock Exchange Participant and is licensed for Type 1 (dealing in securities) regulated activity, it should take out the required insurance under the relevant approved master policy for an insured amount of no less than HK\$15,000,000 for the specified risks.

Other key ongoing obligations

Outlined below are other key ongoing obligations of a licensed corporation:

- payment of the prescribed fees to the SFC as described in Schedule 1 to the Securities and Futures (Fees) Rules (Chapter 571AF of the Laws of Hong Kong);
- 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 segregate 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);
- keep records in accordance with the requirements 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);
- issue 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);
- keep records by lenders under securities borrowing and lending agreements in accordance with the requirements under the Securities and Futures (Short Selling and Securities Borrowing and Lending (Miscellaneous)) Rules (Chapter 571R of the Laws of Hong Kong);
- exhibit the printed licence or certificate of registration (as the case may be) in a prominent place at its principal place of business in accordance with the requirements under the Securities and Futures (Miscellaneous) Rules (Chapter 571U of the Laws of Hong Kong); and
- compliance with business conduct requirements under the Code of Conduct, the Internal Control Guidelines and other applicable codes and guidelines issued by the SFC.

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STOCK EXCHANGE PARTICIPANTSHIP AND CCASS CLEARING PARTICIPANTSHIP

Any broker-dealer that intends to operate a brokerage business for products available on the HKEX, using the trading facilities of the Stock Exchange, must be admitted and registered as a Stock Exchange Participant. A Stock Exchange Participant must also hold at least one trading right in the Stock Exchange. All new trading rights are issued by the Stock Exchange and are non-transferable.

Further, a Stock Exchange Participant who trades on the Stock Exchange has the option to choose to become a CCASS Clearing Participant. HKSCC may make available the services of CCASS to persons who meet and continue to meet the qualifications from time to time prescribed by HKSCC and who have been admitted as a CCASS Clearing Participant.

As at the Latest Practicable Date, our Group is admitted as (i) a Stock Exchange Participant and a holder of Stock Exchange Trading Right; and (ii) a CCASS direct clearing participant. The foregoing participations of our Group have no expiry date and remain in force until suspended or revoked.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the Anti-Money Laundering Guideline.

In Hong Kong, legislation dealing with money laundering and terrorist financing includes the following:

(i) the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (“AMLO”)

The AMLO imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO.

(ii) the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) (“DTROP”)

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

(iii) the Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (“OSCO”)

The OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs and Excise Department to investigate organised crime and triad activities, and it gives the courts jurisdiction to confiscate the proceeds of organised and serious crimes, to issue restraint orders and

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charging orders in relation to the property of defendants of specified offences. The OSCO extends the money laundering offence to cover the proceeds of all indictable offences in addition to drug trafficking.

(iv) the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (“UNATMO”)

The UNATMO provides that it would be a criminal offence to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorised officer, and failure to make such disclosure constitutes an offence under the UNATMO.

(v) the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) (“UNSO”)

The UNSO implements in Hong Kong the United Nations Security Council resolutions to impose targeted sanctions against certain jurisdictions as instructed by the Ministry of Foreign Affairs of the PRC. As at the Latest Practicable Date, there were more than 80 subsidiary legislations made under this ordinance relating to around 21 jurisdictions, including but not limited to Liberia, Libya, Afghanistan, Eritrea and the Democratic Republic of the Congo. There are prohibitions against trade-related activities, which include making available to, or for the benefit of, certain persons or entities, any funds or other financial assets or economic resources, or dealing with funds or other financial assets or economic resources of certain persons or entities from the above jurisdictions.

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

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

Further, the Anti-Money Laundering Guideline sets out the anti-money laundering and counter-financing of terrorism statutory and regulatory requirements, and the anti-money laundering and counter-financing of terrorism standards which licensed corporations should meet in order to comply with the statutory requirements. It also provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong.

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EMPLOYEE DEALINGS

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

- the written policy should specify the conditions on which employees may deal for their own accounts;
- employees should be required to identify all related accounts (including accounts of their minor children and accounts in which the employees hold beneficial interests) and report them to senior management;
- employees should generally be required to deal through the licensed or registered person or its affiliates;
- if the licensed or registered person provides services in securities listed or traded on one of the Hong Kong exchanges or in derivatives, including over-the-counter derivatives written over such securities, and its employees are permitted to deal through another dealer, in those securities, the licensed or registered person and employee should arrange for duplicate trade confirmations and statements of account to be provided to senior management of the licensed or registered person;
- any transactions for employees' accounts and related accounts should be separately recorded and clearly identified in the records of the licensed or registered person; and
- transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the licensed or registered person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the licensed or registered person of these transactions or orders is not prejudiced to the interests of the licensed or registered person's other customers.

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

SUPERVISION BY THE SFC

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

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Disciplinary power of the SFC

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

- revocation or suspension of all or part of a licence or registration in relation to any of the regulated activities for which a regulated person is licensed or registered;
- revocation or suspension of the approval granted to a Responsible Officer;
- public or private reprimand on a regulated person;
- prohibition of a regulated person from applying to be licensed or registered or to be approved as a Responsible Officer;
- prohibition of a regulated person from, among others, applying to be licensed, registered or approved as a Responsible Officer in relation to such regulated activity(ies), for such period as the SFC may specify; and
- pecuniary penalty of the greater of an amount not exceeding HK\$10 million or three times the profit gained or loss avoided as a result of the conduct in question.

TAKEOVERS AND MERGERS

Financial advisers and independent financial advisers licensed by the SFC may act for Hong Kong listed issuers as regards transactions principally involving the Listing Rules, the GEM Listing Rules and the Takeovers Code.

In Hong Kong, any takeover, merger, privatisation and share repurchase activities affecting public companies are regulated by the Takeovers Code which is issued by the SFC in consultation with the Takeovers and Mergers Panel. The primary purpose of the Takeovers Code is to afford fair treatment for shareholders who are affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code seeks to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and informed market in the shares of companies affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code also provides an orderly framework within which takeovers, mergers, privatisations and share buy-backs activities are to be conducted.

In addition, any other persons who issue circulars or advertisements to shareholders in connection with takeovers, mergers, privatisations and share buy-backs must observe the highest standards of care and consult with the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof (the “**Executive**”) prior to the release thereof.

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The roles and responsibilities of financial advisers and other professional advisers are of particular importance given the non-statutory nature of the Takeovers Code, and it is part of their responsibilities to use all reasonable efforts, subject to any relevant requirements of professional conduct, to ensure that their customers understand, and abide by, the requirements of the Takeovers Code, and to co-operate to that end by responding to inquiries from the Executive or any delegate thereof, the Takeovers and Mergers Panel or the Takeovers Appeal Committee.

HKEX

Apart from the SFC, the Stock Exchange also plays a leading role in regulating companies seeking admission to the Hong Kong markets and supervising those companies once they are listed. HKEX is a recognised exchange controller under the SFO. It owns and operates the only stock exchange and futures exchange in Hong Kong, namely the Stock Exchange and Hong Kong Futures Exchange Limited, and their related clearing houses. The duty of the Stock Exchange is to ensure orderly and fair markets and that risks are managed prudently, and shall act in the interest of the public and in particular, the interests of the investing public.

In its role as the operator and frontline regulator of the central securities and derivatives marketplace in Hong Kong, the Stock Exchange (i) regulates listed issuers; (ii) administers listing, trading and clearing rules; and (iii) provides services at the wholesale level, to participants and users of its exchanges and clearing houses, including issuers and intermediaries (such as investment banks or sponsors, securities and derivatives brokers, custodian banks and information vendors) which service investors directly. These services comprise trading, clearing and settlement, depository and nominee services, and information services.

RECENT DEVELOPMENT OF THE REGULATORY REGIME IN RESPECT OF SUITABILITY FOR LISTING OF NEW LISTING APPLICANTS, BACKDOOR LISTINGS AND CONTINUING LISTING CRITERIA

In an effort to prevent the creation and trading of “shell companies”, the Stock Exchange first published Guidance Letter HKEX-GL68-13A in June 2016, setting out its guidance on IPO vetting and suitability for listing, including characteristics of listing applicants which may bring into question their suitability for listing, as well as specific areas sponsors and listing applicants are required to analyse and disclose in the listing document. In April 2018, the Stock Exchange further updated the said guidance letter and set out additional guidance on how it will qualitatively assess new listing applicants’ suitability for listing on the Stock Exchange by considering factors such as (i) whether a listing of the applicant is consistent with its business strategy; (ii) the specific use of proceeds in relation to the listing applicant’s past and future business development; (iii) whether the listing applicant has genuine funding need; (iv) whether there is a commercial rationale for its listing; and (v) whether the listing applicant is likely to invite speculative trading upon listing or to be acquired for its listing status. In March 2019, the Stock Exchange published Listing Decision HKEX-LD121-2019, setting out the number and reasoning for listing applications being rejected in 2018, which showed a marked increase of 24 cases of rejection as compared to three cases of rejection in the previous year as detailed in Listing Decision HKEX-LD119-2018. This reflected the higher level of scrutiny by the Stock Exchange in its assessment of suitability for listing.

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On 26 July 2019, the Stock Exchange published conclusions on its consultation paper regarding backdoor listing, continuing listing criteria and other Listing Rule amendments. The amendments will be implemented with effect on 1 October 2019 to help address evolving market practices in backdoor listing and improve the regulation of shell activities. Such amendments aim at (i) addressing circumstances involving shell activities where there is a concern about circumvention of the new listing requirements; and (ii) restricting issuers that have disposed of or otherwise wound down their principal businesses to maintain their listing status through, among others, holding securities investments, or maintaining a portfolio of assets. The amendments include but not limited to (i) codifying six assessment factors under the principle based test in Guidance Letter HKEX-GL78-14; (ii) modifying the bright line tests to apply to very substantial acquisitions from an issuer's controlling shareholder within 36 months from a change in control of the issuer and to extend the restrictions on disposals (or distributions in specie) to 36 months after a change in control of the issuer; (iii) disallowing backdoor listing through large scale issue of securities for cash, where there is, or will result in, a change in control or de facto control of the issuer; (iv) tightening compliance requirements for reverse takeovers and extreme transactions; and (v) amending continuing listing criteria for listed issuers such as requiring an issuer to carry out a business with a sufficient level of operations and to have assets of sufficient value to support its operations to warrant its continued listing.

On 26 July 2019, the SFC published a statement on its approach to backdoor listings and "shell activities". The SFC indicated that in addition to the Stock Exchange's regulation of listed companies based on the Listing Rules, the SFC will not hesitate to use its statutory powers, including its investigation powers, and take action against the parties involved, including companies, directors, major shareholders and intermediaries, where appropriate. In particular, under the Stock Market Listing Rules, the SFC may object to a listing application based on certain grounds under section 6(2) of the Stock Market Listing Rules. It may also direct the Stock Exchange to suspend trading in a listed corporation's shares under section 8(1) of the Stock Market Listing Rules.

In deciding whether to exercise its power of investigation under the SFO or its powers under the Stock Market Listing Rules in cases involving backdoor listings and "shell activities", the SFC will have regard to the facts and circumstances of each case including whether there are any red flags (i) indicating a possible scheme designed to mislead regulators and/or the investing public or to circumvent applicable rules; or (ii) suggesting that other forms of serious misconduct have been or will be committed. Some non-exhaustive factors that the SFC considers are likely to be relevant include: (i) whether there are any red flags indicating concealed arrangements or understandings (such as one involving a change in control or a change in de facto control) between the parties involved, including the directors, shareholders, intermediaries and advisers; (ii) whether the listed company or the listing applicant has disclosed the true nature or extent of its business, affairs and plans; (iii) whether there are any fundamental issues relating to the new assets or businesses being or to be injected that would lead to concerns as to whether these assets or businesses should be allowed to be listed and have access to public investors' capital; (iv) whether there are any concerns that the directors might not have fulfilled their fiduciary duties and acted in the interests of the shareholders as a whole; and (v) whether sufficient due diligence has been conducted on the assets or businesses acquired, and whether the scope of due diligence is appropriate.

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COMPLIANCE WITH THE RELEVANT REQUIREMENTS

Our Directors confirmed that our Group has obtained all relevant licences, certificates and participantships for our existing operations in Hong Kong and that our Group complied with all applicable laws, regulations, rules, codes and guidelines in Hong Kong in connection with our business and operations in all material respects during the Track Record Period and up to the Latest Practicable Date.

REGULATORY APPROVAL FOR THE REORGANISATION

For details of the approval required for the Reorganisation, please refer to “History, Reorganisation and Group Structure — Approval required for the Reorganisation”.

HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT OF OUR GROUP

The business history of our Group can be traced back to July 2015 when Lego Corporate Finance was incorporated. Lego Corporate Finance was granted by the SFC with a licence to carry on Type 6 (advising on corporate finance) regulated activity and admitted as an eligible sponsor on 13 January 2016.

Lego Securities was established in June 2016 and was granted by the SFC with a licence to carry on Type 1 (dealing in securities) regulated activity on 19 January 2017. With effect from 23 March 2017, it was also admitted as (i) a Stock Exchange Participant and a holder of Stock Exchange Trading Right; and (ii) a CCASS direct clearing participant.

Lego Asset Management was established in April 2017 and was granted by the SFC with licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities on 1 March 2019.

Mr. Mui, our chairman, CEO, executive Director and one of our Controlling Shareholders, has been a Responsible Officer and sponsor principal of Lego Corporate Finance since January 2016. He was appointed as a director of Lego Corporate Finance in March 2016 and became a Controlling Shareholder in June 2016. Mr. Mui is responsible for formulating our Group's development strategies and, together with our executive Directors, managing our daily operations and is instrumental to the development of our Group. Throughout our history, our executive Directors had led our Group to (i) develop our corporate finance advisory business and successfully completed 15 IPO sponsorship projects on the Main Board or GEM during the Track Record Period and the total number of our corporate finance advisory projects had increased from 109 for the year ended 31 March 2017 to 120 for the year ended 31 March 2018 and further to 152 for the year ended 31 March 2019; (ii) launch our underwriting, securities dealing and brokerage, and securities financing businesses; and (iii) establish our asset management business. For the background and relevant industry experience of our executive Directors, please refer to "Directors and Senior Management — Directors — Executive Directors".

Key milestones of our Group

The following table sets forth the major milestones of our Group's development:

Year	Milestones
2015	<ul style="list-style-type: none">• Lego Corporate Finance was incorporated in Hong Kong in July
2016	<ul style="list-style-type: none">• Lego Corporate Finance was granted by the SFC with a licence to carry on Type 6 (advising on corporate finance) regulated activity and was admitted as an eligible sponsor in January• We were engaged for our first IPO sponsorship project in January• We completed our first IPO sponsorship project in October

HISTORY, REORGANISATION AND GROUP STRUCTURE

Year	Milestones
2017	<ul style="list-style-type: none">● Lego Securities was granted by the SFC with a licence to carry on Type 1 (dealing in securities) regulated activity in January and was admitted as the Stock Exchange Participant and a CCASS direct clearing participant in March● We commenced our underwriting and securities dealing and brokerage businesses in March● We completed our first underwriting project in April● We commenced our securities financing business in December
2018	<ul style="list-style-type: none">● We acted as the sole sponsor, sole global coordinator and a joint bookrunner in the IPO of (i) B & S International Holdings Ltd. (stock code: 1705), which was listed on the Main Board in March and was about 2,600 times over-subscribed in the Hong Kong public offer tranche; and (ii) CTEH INC. (stock code: 1620), which was listed on the Main Board in June and was our first successful listing of a Canada-based corporation in Hong Kong; and the sole sponsor and a joint bookrunner in the IPO of K Group Holdings Limited (stock code: 8475), which was listed on GEM in August and was our first successful listing of a Singapore-based corporation in Hong Kong
2019	<ul style="list-style-type: none">● We acted as the sole sponsor, sole bookrunner and a joint lead manager in the IPO of Best Mart 360 Holdings Limited (stock code: 2360), which was listed on the Main Board in January● Lego Asset Management obtained licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities in March

LEGO FINANCIAL GROUP

Lego Financial Group was incorporated in the BVI with limited liability on 22 July 2015 and initially wholly-owned by Mr. Chan Fung Man (“**Mr. F.M. Chan**”), an Independent Third Party. In August 2015, Lego Financial Group allotted and issued new shares to Mr. Wong and Mr. F.M. Chan, as a result, it became owned as to 60% and 40% by Mr. Wong and Mr. F.M. Chan, respectively. Their aforesaid initial investments amounted to approximately HK\$10 million in aggregate and, as confirmed by them, were from their personal resources. Such investment amount was determined with a view to satisfy the minimum paid-up share capital requirement for licensed corporations under the SFO. Mr. F.M. Chan and Mr. Wong were passive investors. Mr. F. M. Chan obtained a membership certificate from the Hong Kong Institute of Certified Public Accountants in July 2009 and is currently a practising member. Mr. F.M. Chan is the sole proprietor of a Certified Public Accountant. He also acted as the company secretary of companies listed on the Stock Exchange. Mr. Wong is a businessman engaged in the retailing of fashion apparels and accessories. To the best knowledge of our Directors, they invested

HISTORY, REORGANISATION AND GROUP STRUCTURE

into our Group because they were confident in our fast growing business and that our experienced management team would successfully lead and develop our Group to become an established and competitive financial services provider, and in turn offer satisfactory return to their investments.

After few months of operation in or around March 2016, having considered the strong project pipeline of Lego Corporate Finance and having gained confidence in managing the business, our management intended to further expand our corporate finance business and set up our securities dealing and brokerage and underwriting businesses which required additional capital of approximately HK\$20.0 million. After discussions between Mr. F.M. Chan, Mr. Wong and our management, it was agreed among the parties that Mr. Mui, Mr. Liu and Mr. Ng would invest into Lego Financial Group to provide such funding. Through a series of share allotments in June 2016, Mr. Mui, Mr. Liu and Mr. Ng became shareholders of Lego Financial Group and it was owned as to approximately 64.67%, 15.00%, 13.33%, 3.50% and 3.50% by Mr. Mui, Mr. Wong, Mr. F.M. Chan, Mr. Liu and Mr. Ng, respectively. The total consideration of such share allotments amounted to approximately HK\$20.0 million and, as confirmed by them, was from their personal resources. Such consideration was determined with reference to the initial working capital required for the start up of the business of Lego Securities and working capital sufficient for expansion of the business of Lego Corporate Finance. In November 2016, Mr. Mui wished to increase his interest in our Group and offered to acquire Mr. F.M. Chan's entire shareholding interest in Lego Financial Group. Mr. F.M. Chan confirmed that, having considered that Mr. Mui offered a good investment return and other personal reasons, he agreed to divest his entire shareholding interest in Lego Financial Group to Mr. Mui, for a consideration of HK\$7 million, which was mutually agreed and determined after arm's length negotiations between the parties with reference to Mr. F.M. Chan's total cost of investment. Immediately thereafter, Mr. F.M. Chan ceased to be a shareholder of Lego Financial Group and Lego Financial Group was owned as to 78.00%, 15.00%, 3.50% and 3.50% by Mr. Mui, Mr. Wong, Mr. Liu and Mr. Ng, respectively.

On 26 March 2018, as part of an internal corporate reorganisation among the shareholders of our Group, each of Ms. Ho and Ms. Lau transferred all the shares of Lego Corporate Finance held by them to Lego Financial Group and in exchange, Lego Financial Group allotted and issued new shares to each of Ms. Ho and Ms. Lau at a respective consideration of US\$100, being the par value of the relevant shares of Lego Financial Group. As a result, Lego Financial Group was owned as to approximately 76.47%, 14.71%, 3.43%, 3.43%, 0.98% and 0.98% by Mr. Mui, Mr. Wong, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau, respectively.

On 27 March 2018, as part of an internal corporate reorganisation among the shareholders of our Group, Lego Financial Group (i) repurchased all the shares held by Mr. Wong at a consideration of US\$1,500, being the par value of the relevant shares of Lego Financial Group; and (ii) concurrently transferred 13.0% of the issued shares of Lego Investment Holdings to Mr. Wong. As a result, Lego Financial Group became owned as to approximately 89.66%, 4.02%, 4.02%, 1.15% and 1.15% by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau, respectively.

On 17 September 2018, Lego Financial Group further allotted and issued new shares to Mr. Mui at a consideration of HK\$5.8 million, being the amount of consideration that Lego Financial Group paid to acquire 6.5% of the issued shares of Lego Investment Holdings held by Mr. Wong on the same day, resulting in the shareholding of Lego Financial Group being owned as to approximately 90.38%, 3.74%, 3.74%, 1.07% and 1.07% by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Up to the Latest Practicable Date, there is no further change in the shareholding of Lego Financial Group.

CORPORATE HISTORY

Upon completion of the Reorganisation, our Group comprised our Company, Lego Investment Holdings, Lego Corporate Finance, Lego Securities, Lego Asset Management, Lego Asset Management (Cayman) and Lego Funds SPC. The following is a brief corporate history of the establishment and major changes in the shareholdings of our subsidiaries since their incorporation.

Lego Investment Holdings

On 15 March 2018, Lego Investment Holdings was incorporated in the BVI with limited liability. Lego Investment Holdings is authorised to issue a maximum of 50,000 shares of a single class of US\$1 par value each, of which 1,000 shares of US\$1,000 were allotted and issued to Lego Financial Group for cash at par at the time of incorporation.

On 27 March 2018, as part of an internal corporate reorganisation which involved Lego Financial Group repurchasing all the shares held by Mr. Wong at a consideration of US\$1,500, Lego Financial Group concurrently transferred 130 shares, representing 13.0% of the issued shares of Lego Investment Holdings, to Mr. Wong at a consideration of US\$1,500. On 17 September 2018, Mr. Wong decided to realise part of his gain on investment and divested half of his shareholding, being 65 shares (representing 6.5% of the then issued shares of Lego Investment Holdings), to Lego Financial Group, at a consideration of HK\$5.8 million, which was mutually agreed and determined after arm's length negotiations between Mr. Wong and Lego Financial Group making reference to his cost of investment. As a result, Lego Investment Holdings was owned by Lego Financial Group and Mr. Wong as to 93.5% and 6.5%, respectively. Mr. Wong remained as a passive investor of our Group as at the Latest Practicable Date. He did not participate in the operation and management in any members of our Group since their respective incorporation and up to the Latest Practicable Date.

On 25 February 2019, the Pre-IPO Investors subscribed for and Lego Investment Holdings allotted and issued to them an aggregate of 24 shares at an aggregate consideration of approximately HK\$4.6 million. Please refer to “— Pre-IPO Investments” for further details.

On 28 May 2019, Lego Financial Group, Mr. Wong and the Pre-IPO Investors transferred their respective entire shareholding interests in Lego Investment Holdings to our Company. Please refer to “— Reorganisation — (5) Transfer of Lego Investment Holdings to our Company” for further details.

Our Directors confirmed that all of the above transfers were legally completed, effective and fully settled.

Upon completion of the Reorganisation, Lego Investment Holdings became a direct wholly-owned subsidiary of our Company. Lego Investment Holdings is an investment holding company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Lego Corporate Finance

On 30 July 2015, Lego Corporate Finance was incorporated in Hong Kong as a limited liability company. At the time of incorporation, the initial paid-up share was allotted and issued to Lego Financial Group. The following table sets out the changes in shareholding of Lego Corporate Finance since its incorporation and prior to the Reorganisation:

Date	Allotment/Transfer	Consideration	Resulting shareholding in Lego Corporate Finance
30 July 2015	Allotted 1 share to Lego Financial Group	HK\$1	Lego Corporate Finance was wholly-owned by Lego Financial Group
29 August 2015	Allotted 3,999,999 shares to Lego Financial Group	HK\$3,999,999	Lego Corporate Finance was wholly-owned by Lego Financial Group
28 October 2015	Allotted 6,000,000 shares to Lego Financial Group	HK\$6,000,000	Lego Corporate Finance was wholly-owned by Lego Financial Group
30 March 2017	Allotted 100,000 shares to each of Ms. Ho and Ms. Lau	Non-cash consideration ⁽¹⁾	Lego Corporate Finance was owned as to approximately 98.04%, 0.98% and 0.98% by Lego Financial Group, Ms. Ho and Ms. Lau, respectively
26 March 2018	Ms. Ho and Ms. Lau each transferred 100,000 shares to Lego Financial Group ⁽²⁾	US\$100 for each transfer	Lego Corporate Finance was wholly-owned by Lego Financial Group
27 March 2018	Lego Financial Group transferred 10,200,000 shares to Lego Investment Holdings	Nominal consideration of HK\$1	Lego Corporate Finance is wholly-owned by Lego Investment Holdings

⁽¹⁾ Issued as employees' incentive credited as fully paid, which constituted share-based payments.

⁽²⁾ The transfer was part of an internal corporate reorganisation among the shareholders of our Group, which involved, among others, the allotment of new shares of Lego Financial Group to each of Ms. Ho and Ms. Lau at a respective consideration of US\$100 on 26 March 2018. Please refer to "— Lego Financial Group" for further details.

Our Directors confirmed that all of the above transfers were legally completed, effective and fully settled.

Upon completion of the Reorganisation, Lego Corporate Finance became an indirect wholly-owned subsidiary of our Company held through our Company's direct wholly-owned subsidiary Lego Investment Holdings. Lego Corporate Finance is engaged in the provision of corporate finance advisory services.

Lego Securities

On 27 June 2016, Lego Securities was incorporated in Hong Kong as a limited liability company. Mr. Chan Man Fung ("Mr. M.F. Chan"), an Independent Third Party, was an initial subscriber and was allotted and issued one paid-up share at the time of incorporation. On 30 June 2016, the said initial share was transferred from Mr. M.F. Chan to Lego Financial Group at a nominal consideration of HK\$1. As a result, Lego Securities became a wholly-owned subsidiary of Lego Financial Group.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 11 January 2017, Lego Securities allotted and issued 5,000,000 shares to Lego Financial Group at a consideration of HK\$5,000,000. Lego Securities further allotted and issued to Lego Financial Group 3,000,000 shares at a consideration of HK\$3,000,000 and 9,000,000 shares at a consideration of HK\$9,000,000 on 21 March 2017 and 20 June 2017, respectively.

On 27 March 2018, Lego Financial Group transferred its entire shareholding interest in Lego Securities, being 17,000,001 shares, to Lego Investment Holdings at a nominal consideration of HK\$1. As a result, Lego Securities became a wholly-owned subsidiary of Lego Investment Holdings.

On 2 January 2019, Lego Securities allotted and issued 4,499,999 shares to Lego Investment Holdings at a consideration of HK\$4,500,000. On 9 August 2019, Lego Securities allotted and issued 5,000,000 shares to Lego Investment Holdings at a consideration of HK\$4,999,999. On 11 September 2019, Lego Securities allotted and issued 5,000,000 shares to Lego Investment Holdings at a consideration of HK\$5,000,000.

Our Directors confirmed that all of the above transfers were legally completed, effective and fully settled.

Upon completion of the Reorganisation, Lego Securities became an indirect wholly-owned subsidiary of our Company held through our Company's direct wholly-owned subsidiary Lego Investment Holdings. Lego Securities is engaged in the provision of underwriting, securities dealing and brokerage, and securities financing services.

Lego Asset Management

On 6 April 2017, Lego Asset Management was incorporated in Hong Kong as a limited liability company. Mr. Mui was an initial subscriber and was allotted and issued one paid-up share at the time of incorporation. On 4 May 2018, the said initial share was transferred from Mr. Mui to Lego Financial Group at a nominal consideration of HK\$1.

On 10 May 2018, Lego Asset Management allotted and issued 119,999 shares to Lego Financial Group at a consideration of HK\$119,999. On 31 July 2018, Lego Financial Group transferred 120,000 shares to Lego Investment Holdings at a nominal consideration of HK\$1. As a result, Lego Asset Management became a wholly-owned subsidiary of Lego Investment Holdings.

On 12 February 2019, Lego Asset Management allotted and issued 3,000,000 shares to Lego Investment Holdings at a consideration of HK\$3,000,000.

Lego Asset Management is engaged in the provision of investment advisory and asset management services.

Lego Asset Management (Cayman)

On 12 February 2019, Lego Asset Management (Cayman) was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an initial authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. Upon its incorporation, one share was allotted and issued to a nominee of Conyers Trust Company (Cayman) Limited for cash at par, who then

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transferred the initial share to Lego Asset Management on the same day. Upon completion of such share transfer, Lego Asset Management (Cayman) became a wholly-owned subsidiary of Lego Asset Management.

Lego Asset Management (Cayman) is engaged in the provision of investment advisory and asset management services.

Lego Funds SPC

On 14 February 2019, Lego Funds SPC was incorporated in the Cayman Islands under the Companies Law as a segregated portfolio company with limited liability with an initial authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. Upon its incorporation, one share was allotted and issued to a nominee of Conyers Trust Company (Cayman) Limited for cash at par, who then transferred the initial share to Lego Asset Management (Cayman) on the same day. Upon completion of such share transfer, Lego Funds SPC became wholly-owned by Lego Asset Management (Cayman).

On 21 February 2019, Lego Funds SPC allotted and issued 99 shares to Lego Asset Management (Cayman) at a consideration of US\$99, which was determined with reference to the par value of the shares.

On 22 February 2019, the authorised share capital of Lego Funds SPC was re-designated and reclassified into 100 voting, non-redeemable, non-participating shares of a par value of US\$1 each (with no entitlement to dividend) (the “**Voting Shares**”) and 49,900,000 non-voting, redeemable, participating shares of a par value of US\$0.001 each (with entitlement to dividend) (the “**Non-Voting Shares**”). The 100 issued shares of Lego Funds SPC held by Lego Asset Management (Cayman) were deemed to be the 100 Voting Shares.

The Non-Voting Shares allotted and issued in respect of the investments in Lego Vision Fund SP and Lego China Special Opportunities Fund SP (see “Business — Our business activities — (v) Asset management services — Asset management service” for further details) are as follows:

- On 29 March 2019, Lego Investment Holdings was allotted and issued 15,000 Non-Voting Shares in respect of Lego Vision Fund SP at a consideration of US\$1.5 million.
- On 29 March 2019 and 1 August 2019, Ms. Poh Lai Yoke (a connected person of our Company) was allotted and issued 10,802.347 and 1,313.666 Non-Voting Shares in respect of Lego Vision Fund SP, respectively, at respective considerations of approximately HK\$8.4 million and HK\$1.0 million.
- From 3 June 2019 to 2 September 2019, a total of 9,584.443 Non-Voting Shares in respect of Lego Vision Fund SP were allotted and issued to seven individuals (all of whom are Independent Third Parties) at an aggregate consideration of approximately US\$0.9 million.
- On 21 June 2019, a total of 5,341.844 Non-Voting Shares in respect of Lego China Special Opportunities Fund SP were allotted and issued to two individuals (both of whom are Independent Third Parties) at an aggregate consideration of approximately US\$0.5 million.

Lego Funds SPC is registered as a mutual fund in the Cayman Islands on 13 March 2019.

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Our Directors confirmed that all of the above transfers were legally completed, effective and fully settled.

Upon completion of the Reorganisation, Lego Asset Management (which owns all the issued shares of Lego Asset Management (Cayman), which in turn holds 100% of the Voting Shares of Lego Funds SPC) became an indirect wholly-owned subsidiary of our Company held through our Company's direct wholly-owned subsidiary Lego Investment Holdings.

PRE-IPO INVESTMENTS

Overview of the Pre-IPO Investments

On 25 February 2019, Lego Investment Holdings, the Pre-IPO Investors and Mr. Mui entered into the Pre-IPO Investment Agreement, pursuant to which the Pre-IPO Investors respectively agreed to subscribe for and Lego Investment Holdings agreed to allot and issue to each of them the ordinary shares at the consideration set out below:

Name of Pre-IPO Investor	Number of ordinary shares of Lego Investment Holdings subscribed	Amount of consideration paid (HK\$)	Settlement date of the consideration
Mr. Fong Kam Hung	6	1,153,125	25 February 2019
Mr. Lau Wan Ki	6	1,153,125	25 February 2019
Mr. Ma Ching Yan	4	768,750	25 February 2019
Mr. Sung Pui Yu	4	768,750	25 February 2019
Mr. Wan Wing Yui	4	768,750	25 February 2019

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Set out below are the percentage of shareholding of each of the Pre-IPO Investors (i) in Lego Investment Holdings immediately upon completion of the Pre-IPO Investments; (ii) in our Company immediately upon completion of the Reorganisation; and (iii) in our Company upon Listing (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme):

Name of Pre-IPO Investor	Approximate percentage of shareholding in Lego Investment Holdings immediately upon completion of the Pre-IPO Investments	Approximate percentage of shareholding in our Company	
		Immediately upon completion of the Reorganisation	Upon Listing (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme)
Mr. Fong Kam Hung	0.585%	0.585%	0.480%
Mr. Lau Wan Ki	0.585%	0.585%	0.480%
Mr. Ma Ching Yan	0.390%	0.390%	0.320%
Mr. Sung Pui Yu	0.390%	0.390%	0.320%
Mr. Wan Wing Yui	0.390%	0.390%	0.320%

The following table sets out further particulars of the Pre-IPO Investments:

Basis of consideration for each of the Pre-IPO Investments	Based on arm's length negotiations between Lego Investment Holdings and the Pre-IPO Investors and taking into account the fair value of the relevant interest of Lego Investment Holdings as at 31 January 2019, the timing of the subscription and the status of the financial performance and business operations of the members of our Group, and is therefore fair and reasonable
Cost per Share paid by each Pre-IPO Investor	HK\$0.6
Percentage of discount to the mid-point of the indicative range of the Offer Price of HK\$1.5 per Share	60%
Use of proceeds from the Pre-IPO Investments	General working capital
Amount of unused proceeds as at the Latest Practicable Date	Nil

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Benefit from the Pre-IPO Investments	The Pre-IPO Investments serve as incentives and rewards to the Pre-IPO Investors in recognition of their valuable contribution to our Group
Special rights	Nil
Lock-up restrictions	For the period commencing on the day of completion of the Pre-IPO Investments to the day which falls on the first anniversary of the Listing Date
Public float	The Pre-IPO Investors will be considered as part of the public float for the purpose of Rules 8.08(1) and 8.24 of the Listing Rules

The Pre-IPO Investors will hold in aggregate approximately 1.92% of the enlarged issued share capital of our Company after completion of the Share Offer and Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme).

Background of the Pre-IPO Investors

The Pre-IPO Investors were employees of our Group as at the Latest Practicable Date, all of whom have been with us since the first year of the Track Record Period. As at the Latest Practicable Date, Mr. Fong Kam Hung, Mr. Lau Wan Ki, Mr. Ma Ching Yan and Mr. Sung Pui Yu were of director grade and Mr. Wan Wing Yui was of associate director grade in Lego Corporate Finance. As at the Latest Practicable Date, four of the Pre-IPO Investors were Responsible Officers of Lego Corporate Finance and Mr. Lau Wan Ki was also a sponsor principal. All of the Pre-IPO Investors have extensive experience in corporate finance. Save for the investment in our Company and being employees of our Group, the Pre-IPO Investors are Independent Third Parties.

Joint Sponsors' confirmation

Having reviewed the terms of the Pre-IPO Investments and considered that all consideration was settled in full on 25 February 2019, which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Committee in relation to the Listing, the Joint Sponsors are of the view that the Pre-IPO Investments are in compliance with the Guidance Letter HKEX-GL29-12 entitled "Interim Guidance on Pre-IPO Investments" issued in January 2012 and updated in March 2017 and the Guidance Letter HKEX-GL43-12 entitled "Guidance on Pre-IPO Investments" issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange.

REORGANISATION

In preparation for the Listing, our Group has undergone the Reorganisation whereupon our Company became the holding company and the listing vehicle of our Group and our operating subsidiaries were transferred to our nominee, Lego Investment Holdings, which became a direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The principal steps of the Reorganisation are as follows:

(1) Incorporation of our Company

For the purpose of the Listing, our Company was incorporated on 21 June 2018 in the Cayman Islands under the Companies Law as an exempted company with limited liability with an initial authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. Upon our incorporation, one share (the “**Subscriber Share**”) was allotted and issued to a nominee of Conyers Trust Company (Cayman) Limited for cash at par, who then transferred the Subscriber Share to Mr. Mui on the same day. Upon completion of such share transfer, our Company became wholly-owned by Mr. Mui.

On 21 December 2018, the authorised share capital of our Company was increased by HK\$380,000 by the creation of 38,000,000 shares of HK\$0.01 each. Thereafter, our Company allotted and issued 780 Shares to Mr. Mui, credited as fully paid. Our Company then repurchased the Subscriber Share and subsequently cancelled the Subscriber Share. Thereafter, our Company cancelled all the 50,000 unissued shares of US\$1 each in the capital of our Company. As a result of the foregoing events, our Company’s authorised share capital became HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each.

(2) Disposal of Lego Finance

As part of the Reorganisation, Lego Investment Holdings disposed of its entire shareholding interest in Lego Finance to Lego Financial Group on 1 February 2019 at a consideration of HK\$1. Please refer to “Relationship with our Controlling Shareholders — Disposal of Lego Finance” for further details.

(3) Subscription of shares of Lego Investment Holdings by the Pre-IPO Investors

On 25 February 2019, the Pre-IPO Investors subscribed for and Lego Investment Holdings allotted and issued to them an aggregate of 24 shares at an aggregate consideration of approximately HK\$4.6 million. Please refer to “— Pre-IPO Investments” for further details.

(4) Transfer of our Company to Lego Financial Group

On 25 March 2019, Mr. Mui transferred his entire shareholding interest in our Company to Lego Financial Group at a consideration of HK\$7.8, which was determined with reference to the par value of the Shares. Immediately thereafter, our Company was wholly-owned by Lego Financial Group.

(5) Transfer of Lego Investment Holdings to our Company

Pursuant to a sale and purchase agreement dated 28 May 2019 and entered into between Mr. Mui, Lego Financial Group, Mr. Wong, the Pre-IPO Investors and our Company, Lego Financial Group, Mr. Wong and the Pre-IPO Investors transferred their respective 935 shares, 65 shares and an aggregate of 24 shares in Lego Investment Holdings, representing all the issued shares of Lego Investment Holdings, to our Company in consideration of our Company allotting and issuing 1,090 Shares to Lego Financial Group, 130 Shares to Mr. Wong and an aggregate of 48 Shares to the

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Pre-IPO Investors (as to 12 Shares to each of Mr. Fong Kam Hung and Mr. Lau Wan Ki, and as to eight Shares to each of Mr. Ma Ching Yan, Mr. Sung Pui Yu and Mr. Wan Wing Yui), all credited as fully paid.

Pursuant to a deed of non-disposal undertaking dated 28 May 2019 (the “**Deed**”), Mr. Wong has irrevocably and unconditionally undertaken in favour of our Company not to, and shall procure his associates not to, transfer or otherwise dispose of by any means, nor enter into any agreement to transfer or otherwise dispose of by any means or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares held by him in the period commencing from the date of the Deed to the day which falls on the first anniversary of the Listing Date.

Upon completion of the Reorganisation but before the Share Offer and the Capitalisation Issue (and not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), the entire issued share capital of our Company was held by (i) Lego Financial Group, which is owned by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau as to approximately 90.38%, 3.74%, 3.74%, 1.07% and 1.07% respectively; (ii) Mr. Wong; and (iii) the Pre-IPO Investors, as to approximately 91.31%, 6.35% and 2.34%, respectively.

APPROVAL REQUIRED FOR THE REORGANISATION

We have made an application to the SFC for its approval for the change of substantial shareholder of Lego Corporate Finance, Lego Securities and Lego Asset Management pursuant to step (5) of the Reorganisation as detailed in “— Reorganisation”. The SFC granted such approval on 15 May 2019.

Our Directors confirmed that save for the approval from the SFC, the Reorganisation would not require any approval or permit from any relevant government authorities in Hong Kong, the BVI and the Cayman Islands. Further, our Directors confirmed that save as mentioned above, there are no conditions attached to any of our licences or permits that would require approval or consent to be obtained, failing which the Reorganisation would result in a cancellation, revocation or withdrawal of any such licence or permit.

INCREASE IN AUTHORISED SHARE CAPITAL OF OUR COMPANY

On 10 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 comprising 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares which rank *pari passu* in all respects with the existing Shares.

CAPITALISATION ISSUE AND THE SHARE OFFER

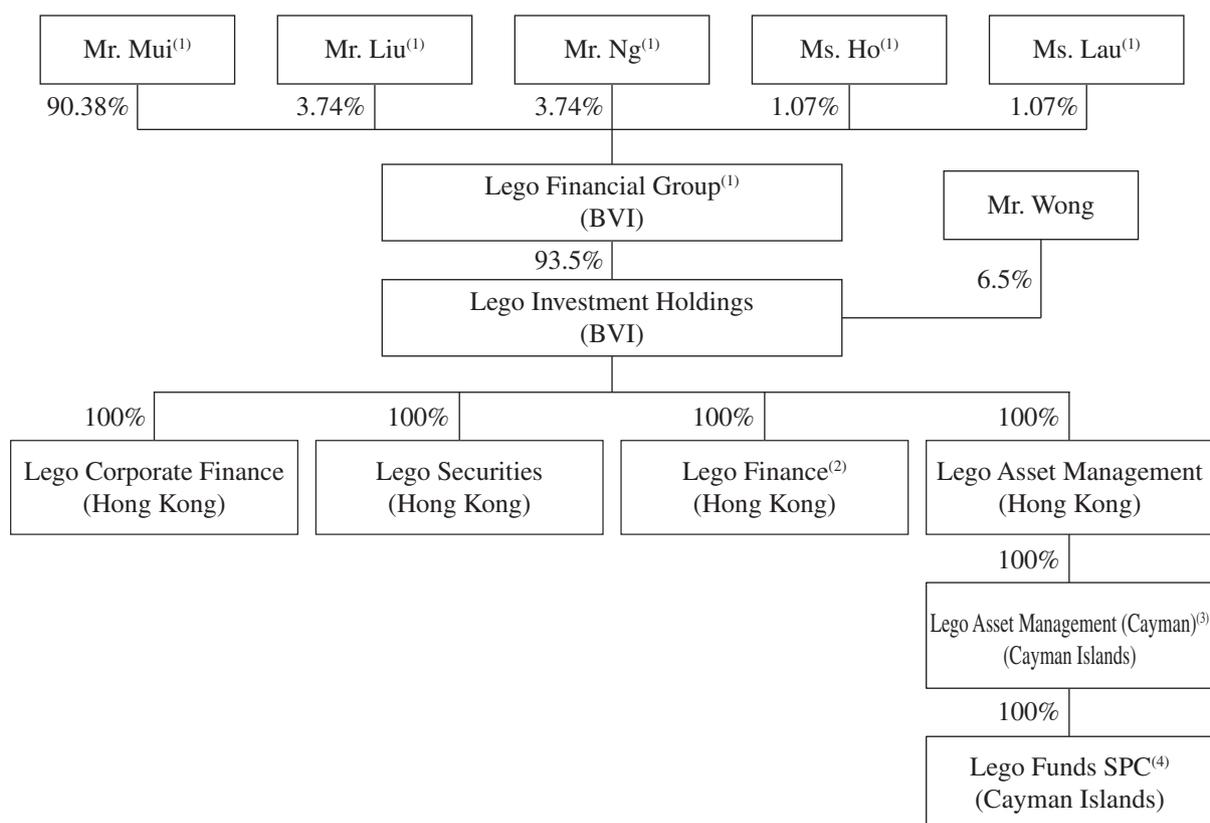
Conditional upon the crediting of our Company’s share premium account as a result of the issue of the new Shares pursuant to the Share Offer, an amount of HK\$3,279,979.52 standing to the credit of the share premium account of our Company will be capitalised by applying such sum towards paying up in full at par a total of 327,997,952 new Shares for allotment and issue to the then existing Shareholders registered as such at the close of business on 10 September 2019.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE STRUCTURE OF OUR GROUP

The following charts illustrate our shareholding structure (i) immediately before the Reorganisation; (ii) immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and (iii) immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme):

The shareholding structure of our Group immediately before the Reorganisation is set out below:



⁽¹⁾ Lego Financial Group, Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau are a group of Controlling Shareholders. Please refer to “Relationship with our Controlling Shareholders” for further details.

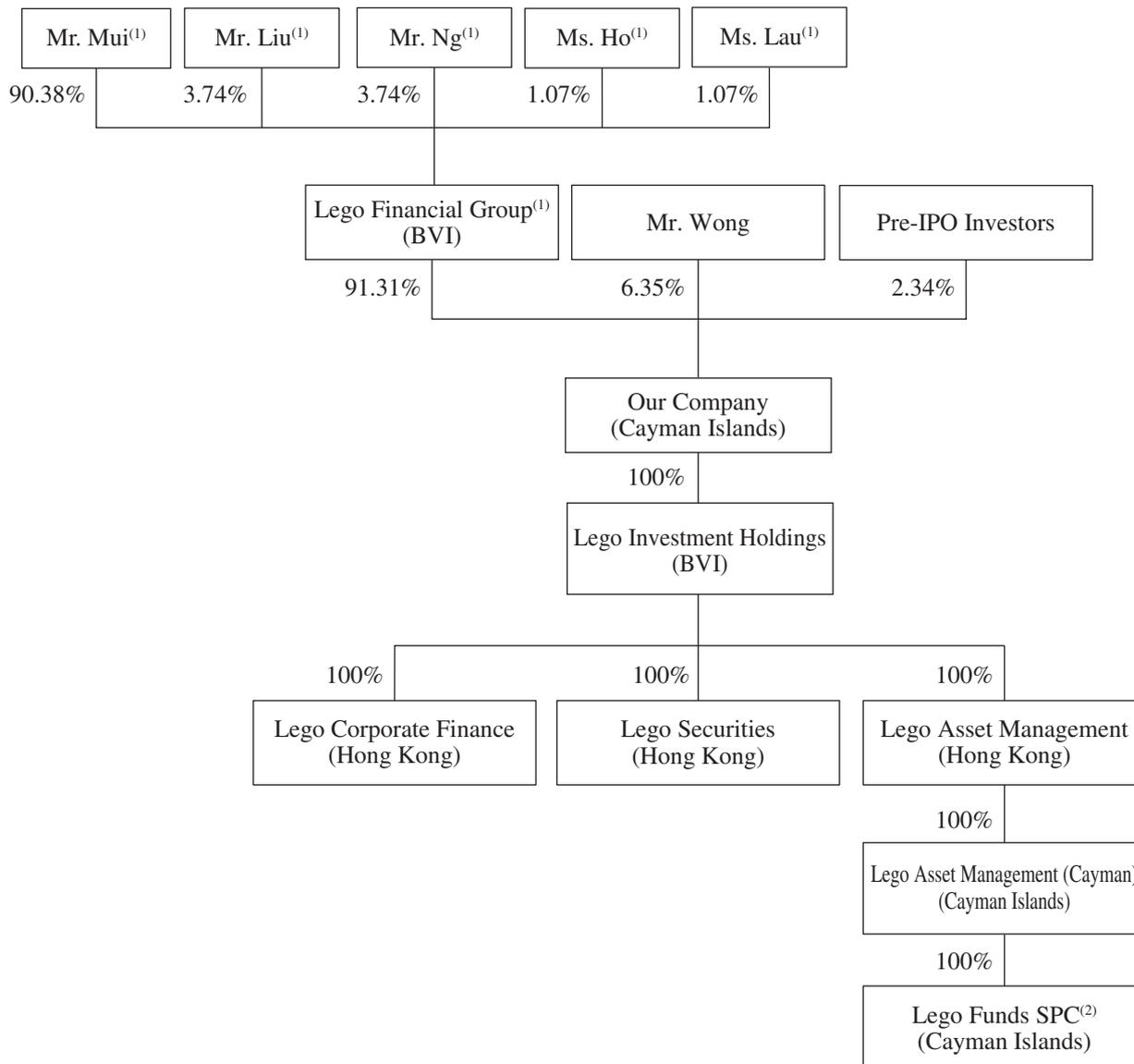
⁽²⁾ Lego Investment Holdings disposed of its entire shareholding interest in Lego Finance to Lego Financial Group on 1 February 2019.

⁽³⁾ Lego Asset Management (Cayman) was incorporated on 12 February 2019.

⁽⁴⁾ Lego Funds SPC was incorporated on 14 February 2019. Lego Asset Management (Cayman) holds 100% of the Voting Shares of Lego Funds SPC since 22 February 2019.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The shareholding structure of our Group immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme) is set out below:

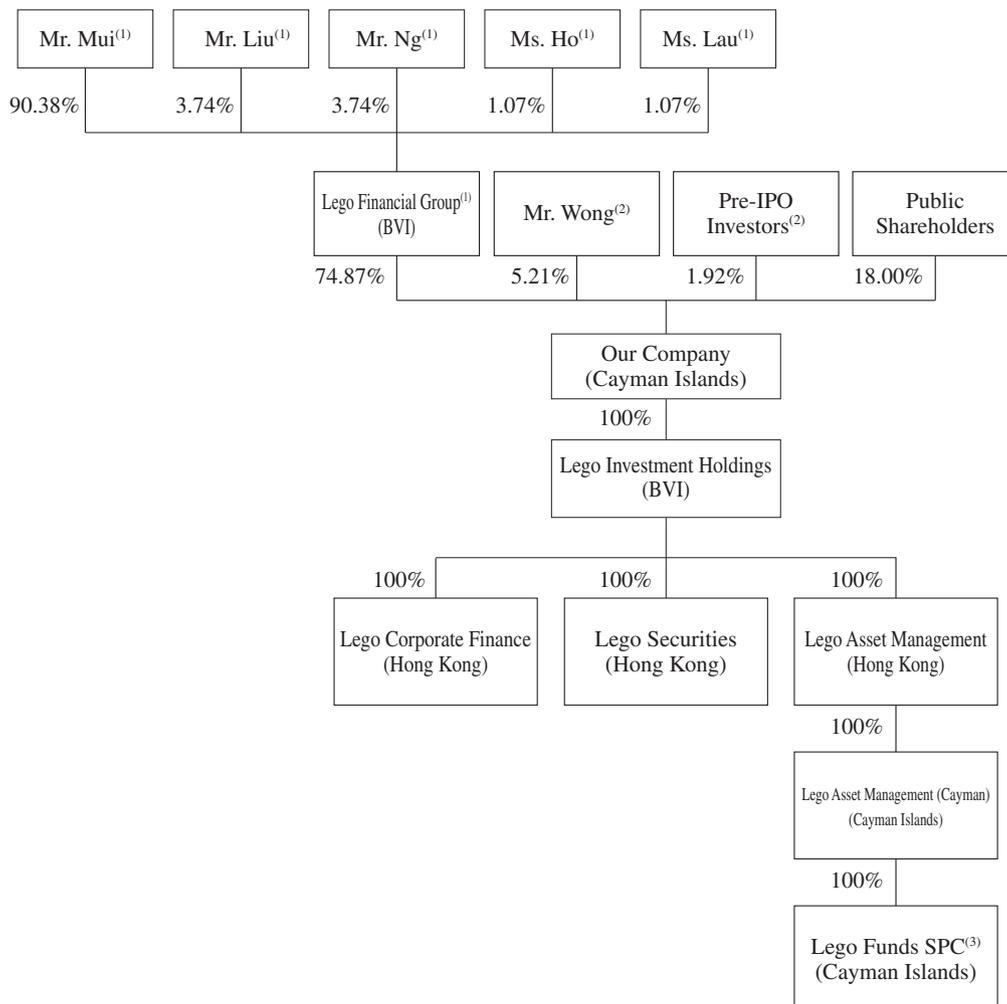


⁽¹⁾ Lego Financial Group, Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau are a group of Controlling Shareholders. Upon completion of the Reorganisation, Lego Finance became a wholly-owned subsidiary of Lego Financial Group. Please refer to “Relationship with our Controlling Shareholders” for further details.

⁽²⁾ Lego Asset Management (Cayman) holds 100% of the Voting Shares of Lego Funds SPC since 22 February 2019. As at the Latest Practicable Date, Lego Investment Holdings held approximately 40.9% of the Non-Voting Shares in respect of Lego Vision Fund SP and none of the Non-Voting Shares in respect of Lego China Special Opportunities Fund SP.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The shareholding structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme) is set out below:



⁽¹⁾ Lego Financial Group, Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau are a group of Controlling Shareholders. Upon completion of the Reorganisation, Lego Finance became a wholly-owned subsidiary of Lego Financial Group. Please refer to “Relationship with our Controlling Shareholders” for further details.

⁽²⁾ Mr. Wong and the Pre-IPO Investors will be considered as part of the public float for the purpose of Rules 8.08(1) and 8.24 of the Listing Rules.

⁽³⁾ Lego Asset Management (Cayman) holds 100% of the Voting Shares of Lego Funds SPC since 22 February 2019. As at the Latest Practicable Date, Lego Investment Holdings held approximately 40.9% of the Non-Voting Shares in respect of Lego Vision Fund SP and none of the Non-Voting Shares in respect of Lego China Special Opportunities Fund SP.

OVERVIEW

We are an active financial services provider in Hong Kong which engages in the provision of (i) corporate finance advisory services; (ii) underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services.

Our service offerings mainly comprise the following:

- **Corporate finance advisory services:** acting as a sponsor to companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process; acting as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or Takeovers Code; acting as an independent financial adviser to independent board committees and independent shareholders of listed companies in Hong Kong rendering recommendations and opinions; and acting as a compliance adviser to listed companies in Hong Kong advising them on post-listing compliance matters;
- **Underwriting services:** acting as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acting as an underwriter or a placing agent for secondary market transactions;
- **Securities dealing and brokerage services:** providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange and in other overseas markets; and (ii) other services including script handling and settlement services, account maintenance services, nominee and corporate action services, investor relations and related services;
- **Securities financing services:** providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs; and
- **Asset management services:** offering investment advisory and asset management services which cater to different investment objectives and risk appetites of our clients.

Our diversified business portfolio allows us to create synergies between our business lines, generate new business opportunities for each business segment and provide integrated financial services to clients.

We operate our business through our main operating subsidiaries, namely Lego Corporate Finance, Lego Securities and Lego Asset Management. We commenced our corporate finance advisory business after Lego Corporate Finance was granted with the SFC licence to carry on Type 6 (advising on corporate finance) regulated activity in January 2016. We commenced our underwriting business (in March 2017), securities dealing and brokerage business (in March 2017) and securities financing business (in December 2017) after Lego Securities was granted with the SFC licence to carry on Type 1 (dealing in securities) regulated activity in January 2017 and was admitted as the Stock Exchange Participant and a CCASS direct clearing participant in March 2017. We commenced our asset management business after Lego Asset Management was granted with the SFC licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities in March 2019. We aim at providing a full-service platform for our clients with integrated financial services tailored to their varying needs.

BUSINESS

Since the commencement of our corporate finance advisory business in January 2016, we have actively participated in the equity capital market in Hong Kong. We were engaged in 109, 120 and 152 corporate finance advisory projects, respectively, and completed nil, six, and 10 underwriting projects, respectively, for the three years ended 31 March 2019.

Despite our short operating history, we experienced rapid growth in business during the Track Record Period. For the three years ended 31 March 2019, our total revenue was approximately HK\$78.6 million, HK\$104.8 million and HK\$118.4 million, respectively, a majority of which was generated from our corporate finance advisory business which accounted for 100.0%, approximately 88.8% and 77.3% of our total revenue for the respective years. Commission and fee income from our underwriting business and securities dealing and brokerage business amounted to approximately HK\$38,000, HK\$11.7 million and HK\$26.5 million for the three years ended 31 March 2019, respectively, representing approximately 0.05%, 11.2% and 22.4% of our total revenue for the respective years. Interest income from our securities financing business amounted to nil, approximately HK\$2,000 and approximately HK\$0.3 million for the three years ended 31 March 2019, respectively. The table below sets out the revenue generated from each of our business segments during the Track Record Period.

	Year ended 31 March					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Corporate finance advisory services	78,582	100.0	93,108	88.8	91,596	77.3
Underwriting services	—	—	9,300	8.9	20,985	17.7
Securities dealing and brokerage services	38	—	2,405	2.3	5,560	4.7
Securities financing services	—	—	2	—	296	0.3
Total	78,620	100.0	104,815	100.0	118,437	100.0

Our fast-growing business is underpinned by our professional and seasoned workforce. As at the Latest Practicable Date, Mr. Mui, our Chairman and CEO, had over 20 years of experience in the financial services industry and our three other executive Directors had over 20, 15 and 15 years of experience in the financial services industry, respectively. As at the Latest Practicable Date, we had 10 Responsible Officers (of which five were sponsor principals) for Type 6 (advising on corporate finance) regulated activity, three Responsible Officers for Type 1 (dealing in securities) regulated activity and two Responsible Officers for Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

COMPETITIVE STRENGTHS

We believe that the following strengths distinguish us from our competitors:

We are an active financial services provider with a proven track record

We stand out as a reputable financial services provider in Hong Kong since the commencement of our business. The rapid growth of our business during the Track Record Period is evidenced as follows:

- During the Track Record Period, we completed 15 IPO sponsorship projects on the Main Board or GEM. The number of our IPO sponsorship projects increased from 16 for the year ended 31 March 2017 to 19 for the year ended 31 March 2018 and was 26 for the year ended 31 March 2019. As at the Latest Practicable Date, we were engaged in 20 ongoing IPO sponsorship projects, of which nine were proposed Main Board IPOs, seven were proposed GEM IPOs and four were proposed transfer of listing from GEM to Main Board.
- The number of projects in which we acted as a financial adviser or an independent financial adviser or a compliance adviser increased from 93 for the year ended 31 March 2017 to 101 for the year ended 31 March 2018 and was 126 for the year ended 31 March 2019. We completed a total of 48, 56 and 62 such projects for the three years ended 31 March 2019, respectively. As at 31 March 2019, we were engaged in 54 such ongoing projects.
- We completed a total of nil, six and 10 underwriting projects in which we acted as a global coordinator, a bookrunner, a lead manager or an underwriter (as the case may be) for the three years ended 31 March 2019, respectively. Our aggregate net underwriting commitments increased from approximately HK\$111.7 million for the year ended 31 March 2018 to HK\$282.0 million for the year ended 31 March 2019.

We have also accumulated and continuously expanded our client base with renowned brands. We acted as the sole sponsor in the IPO sponsorship projects of WWPKG Holdings Company Limited (stock code: 8069), a travel company which marketed its products under the “縱橫遊” brand, B&S International Holdings Ltd. (stock code: 1705) with the licensed tea drink brand “TenRen (天仁茗茶)” and Best Mart 360 Holdings Limited (stock code: 2360), a leisure food chain retailer operating under the “Best Mart 360° (優品360°)” brand. Apart from companies based in Hong Kong and the PRC, we have also successfully sponsored the new listings of companies based in different countries, such as CTEH INC. (stock code: 1620), a Canada-based travel corporation and K Group Holdings Limited (stock code: 8475), a Singapore-based multi-brand restaurant group.

We believe our active participation in the financial services industry has gradually increased our brand awareness among investors and our proven track record will continue to build trust and rapport with our clients, which together will help us win deals in the competitive market.

We offer a wide range of financial services through an integrated platform

We believe that our business growth is grounded in our comprehensive service capability to fulfil the varying needs of our clients.

We offer comprehensive corporate finance advisory services including acting as a sponsor in listing applications in Hong Kong; as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or Takeovers Code; as an independent financial adviser to independent board committees and independent shareholders of listed companies in Hong Kong rendering recommendations and opinions; and as a compliance adviser to listed companies in Hong Kong. We also offer underwriting and placing services for subscriptions in IPOs and secondary offerings, such as rights issue and private placings. In addition, we offer securities dealing and brokerage services and securities financing services to our clients which we believe increase the funding flexibility and leverage of their investments. We also offer investment advisory and asset management services. We have benefited from the business opportunities arising from acting as sponsor to listing applicants or listed companies when they or their shareholders or management procure our other financial services. During the Track Record Period, all clients of our completed IPO sponsorship projects engaged us as a compliance adviser, and nine of which also engaged us as an underwriter for the share offer. Our active participation in IPO sponsorship projects provides us with a recurring source of underwriting opportunities, which in turn will increase the demand for our securities financing services as we provide margin financing to our customers to subscribe for the securities in the underwriting projects underwritten by us. We believe our proven track record in the provision of corporate finance advisory services and the growth in our underwriting business will also help us retain and attract more clients which then enable us create synergies across different business lines, optimise our client coverage effort, create new business opportunities for each business segment and in turn generate diversified sources of revenue and maximise our revenue.

We also believe that a solid, integrated platform would enhance our overall corporate image and is crucial in enhancing sustainability and for coping with the emerging challenges in the market.

We have a strong client base

We serve a diverse and solid base of clients. Our major clients are mainly listing applicants and listed companies in Hong Kong and their respective shareholders, as well as private companies and investors. Notably, the number of clients who engaged our corporate finance advisory services increased from 72 for the year ended 31 March 2017 to 85 for the year ended 31 March 2018 and was 123 for the year ended 31 March 2019. During the Track Record Period, we had a total of 55 recurring clients (being clients to whom we provided more than one financial service and including clients that had engaged us for IPO sponsorship and compliance advisory services). Our clients engage in a diverse spectrum of industry sectors including consumer products, food and beverage business, manufacturing, logistics, construction services, natural resources, financial services and travel. A diversified client base will mitigate the negative effect to the demand for our services from those industry sectors which have cyclical behaviour and are exposed to unpredictable downturns caused by fluctuations in market conditions.

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We also strive to pursue new business and expand our client base. For the three years ended 31 March 2019, we had 37, 39 and 83 new clients in our corporate finance advisory and underwriting services, respectively. For the same year, the number of new securities accounts opened with us was two, 148 and 374 respectively. A steady stream of new clients will help us grow our business and bring new sources of revenue.

We have a team of experienced and loyal management and professionals

We are led by a team of experienced management and professionals with substantial expertise in providing financial services, formulating corporate strategies and monitoring risks and compliance. As at the Latest Practicable Date, Mr. Mui, our Chairman and CEO, had over 20 years of experience in the financial services industry and our three other executive Directors had over 20, 15 and 15 years of experience in the financial services industry. For details of the experience of our executive Directors, see “Directors and Senior Management”. All our executive Directors have been with us since the commencement of our business.

As at the Latest Practicable Date, we had 10 Responsible Officers (of which five were sponsor principals) for Type 6 (advising on corporate finance) regulated activity, three Responsible Officers for Type 1 (dealing in securities) regulated activity and two Responsible Officers for Type 4 (advising on securities) and Type 9 (asset management) regulated activities, forming our strong management and professional team. A majority of our Responsible Officers have been with us since the first year of the Track Record Period. Our competent senior management and professionals team is experienced in our different business operations including the corporate finance advisory business, underwriting business, securities dealing and brokerage business, securities financing business, asset management, compliance, finance and accounts and settlement.

Our Directors believe that our loyal team of experienced management and professionals represents valuable human capital for us. Leveraging on their substantial experience in the industry and in-depth knowledge in our operations and clients, we have been successful in expanding our business and client base.

We adopt a prudent compliance and risk management system

We maintain and implement a compliance and risk management system which is designed in response to our business operations and risk exposures. We have established a compliance department which is responsible for monitoring our overall compliance according to our internal control policies, operational guidelines and procedures and applicable regulatory requirements and reporting in this regard to our Board from time to time. We benefit from the vast experience of our senior management team in the financial service industry who play a leading role in implementing our compliance and risk management system. We are committed to improving, monitoring and updating our compliance and risk management system in light of the evolving regulatory regime and our business expansion. We consider our compliance and risk management system pivotal to our operations as it enables us to identify, assess and manage our business, financial and operational risks in our business in a timely manner. An effective compliance and risk management system helps prevent potential losses and liabilities and raises the confidence of clients, investors and shareholders, which we consider crucial in maintaining our market position and reputation.

BUSINESS

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position in the financial services industry in Hong Kong. We intend to achieve our future plans by adopting the following key strategies.

Continue to develop our underwriting business and further strengthen our corporate finance advisory business

During the Track Record Period, the proportion of revenue contribution from our underwriting business had increased significantly. For the three years ended 31 March 2019, underwriting commission from our underwriting business amounted to nil, approximately HK\$9.3 million and HK\$21.0 million, respectively, representing nil, approximately 8.9% and 17.7% of our total revenue for the respective years. Our Directors consider the underwriting business is a good source of revenue because of its relatively shorter project duration and generally requires less manpower commitment, especially compared with IPO sponsorship projects. Therefore, we will continue to develop such business to increase our income source.

We are confident that our underwriting business will continue to grow and there will be an increasing demand for our underwriting services, given our corporate finance advisory business will continue to induce a considerable amount of fund raising projects which present us with underwriting business opportunities. As at the Latest Practicable Date, we were engaged in 20 ongoing IPO sponsorship projects, of which 16 were Main Board and GEM IPO sponsorship projects and four were transfer of listing projects. Subject to the market conditions, we preliminarily expect to offer underwriting services to the said 16 Main Board and GEM IPO sponsorship projects. Based on information currently available, the fund raising size of these IPO sponsorship projects is estimated to range from approximately HK\$70.0 million to HK\$300.0 million (based on the high end of indicative offer price range).

According to “Mainland China and Hong Kong 2018 Review: IPOs and other market trends” issued by an international accounting firm on 11 December 2018, the international accounting firm forecasted a reduction in the total funds raised in Hong Kong IPO market with the total proceeds exceeding HK\$200 billion and approximately 200 new listings in 2019. Despite concerns over the stability of global markets, the international accounting firm remained optimistic on Hong Kong’s IPO activities in 2019, and expected that, in 2019, Hong Kong IPO market will be dominated by small and medium-sized IPOs. In June 2019, such international accounting firm maintained a forecast of Hong Kong IPOs totalling over HK\$200 billion in 2019 and considered that the Hong Kong stock market is on track to end the year among the top three IPO destinations globally. Therefore, our Directors consider the expected reduction in total fund raised in 2019 is mainly due to reduced fund raised by large-cap companies. Our Directors consider that, given we have been focusing on small and medium-sized underwriting projects, it will benefit from the continuous growth of such segment of the Hong Kong IPO market. Accordingly, notwithstanding there would be a possibility of reduction in the total funds raised for IPOs in 2019, our Directors do not expect a material adverse impact on our underwriting business.

Further, despite the amount of equity funds raised in the secondary market in 2017 and 2018 were the lowest and the second lowest in the past five years, our Directors consider that it could be a result of general market cycle. The performance of the secondary market in Hong Kong also

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experienced fluctuations in the past years. There is no evidence showing that the decrease in equity funds raised in a single year (i.e. 2018) represents a general downward trend of the market in the future.

We intend to use approximately HK\$53.6 million or 60.9% of the net proceeds from the Share Offer to fund the expansion of our underwriting business. Our plan to expand our underwriting business is not solely dependent on the state of the economy or the relevant market. Our Directors consider that it is important that we will at all times strive to strengthen our competitiveness and financial standing, in order to be well-prepared to capture business opportunities, to respond to adversities and to minimise any impact resulting therefrom on us when they arise, so as to strengthen our market position in the financial service industry and be sustainable in the long run.

Currently, our underwriting business and securities dealing and brokerage and securities financing businesses share certain personnel and therefore the development of our underwriting business development is hindered by our limited human resources. In order to explore business opportunities and to cater for and manage the expected expansion of our underwriting business, we anticipate to recruit up to three additional staff to join our ECM team, including one Responsible Officer of director grade with extensive ECM experience and network and two Licensed Representatives of manager and executive grade, respectively, with ECM and/or finance experience. It is intended that the additional ECM staff will solely be responsible for managing our underwriting business. It is anticipated that the new Responsible Officer of our ECM team will bring new underwriting projects from his/her personal networks, which could also help reduce our reliance on our corporate finance advisory business to induce underwriting projects. We target to achieve such recruitment plan by 31 March 2020 utilising the net proceeds from the Share Offer.

Following the Listing, with a strengthened capital base and the expansion of our ECM team, we will be able to participate more actively as underwriters in IPOs and other secondary market fund raising projects by (i) participating in fund raising exercises with a larger fund raising scale and/or higher percentage of underwriting commitment; (ii) expanding our underwriting business by taking up more underwriting opportunities at one time; (iii) reducing the reliance on sub-underwriters in our underwriting exercises which may in effect reduce our potential underwriting fees and commissions; and (iv) exploring business opportunities for acting as an underwriter for IPOs which are sponsored by other licensed corporations, and for secondary market fund raising transactions, such as rights issues, open offers and/or private placing for listed companies on the Stock Exchange.

On the other hand, we will continue to place a significant focus in our corporate finance advisory business, which demonstrated rapid growth and generated a majority of our revenue during the Track Record Period. Our improved ability to take on underwriting obligations will also help drive our corporate finance advisory business. Commercially, the choice of sponsor will generally take into consideration the underwriting capability of the firm. Our Directors believe that a strong team of experienced staff equipped with appropriate industry knowledge and good client connections are crucial to continuing success. We intend to strengthen our corporate finance advisory business by recruiting up to six additional staff, including one Responsible Officer/sponsor principal and five Licensed Representatives ranging from director grade with corporate finance and/or IPO sponsorship experience to executive grade with finance, legal or accounting

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knowledge and/or experience after the Listing. We target to achieve such recruitment plan by 31 March 2020 utilising the net proceeds from the Share Offer. We believe a stronger corporate finance advisory workforce will help increase contacts with potential new clients, initiate new ideas to assist clients in achieving their objectives, provide clients with practical solutions in structuring corporate finance transactions, increase our project execution capacity and ensure the thorough execution of transactions.

Develop our asset management business

Lego Asset Management was granted with the SFC licences to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities in March 2019. We aim to develop our asset management business by diversifying the types of asset management schemes to satisfy the needs of different clients. We launched an open-ended fund, namely Lego Vision Fund SP in April 2019. It is the objective of Lego Vision Fund SP to invest in a portfolio consisting primarily of equities, bonds and other securities of companies in promising industries with excellent management, business model, products and sound financials for the long term sustainable growth. We invested a sum of US\$1.5 million (equivalent to approximately HK\$11.7 million) as seed money into Lego Vision Fund SP in March 2019. As at 31 August 2019, the AUM of Lego Vision Fund SP was approximately US\$3.5 million (equivalent to approximately HK\$27.2 million).

We also launched another open-ended fund, namely Lego China Special Opportunities Fund SP in June 2019. It is the strategy of Lego China Special Opportunities Fund SP to identify quality companies to invest in for long-term investment, with focus on the quality of management, the strength of franchise, the structure of balance sheet, the long-term growth prospects of the company and the market valuation accorded to the business. As at 31 August 2019, the AUM of Lego China Special Opportunities Fund SP was approximately US\$0.5 million (equivalent to approximately HK\$3.9 million).

We plan to set up a new fund with an expected initial AUM of US\$10.0 million (equivalent to approximately HK\$77.8 million) in the first half of 2020. This fund may adopt investment strategies different from Lego Vision Fund SP and Lego China Special Opportunities Fund SP. It is currently intended that this fund will target high net worth investors and institutional investors seeking steady income. The fund will aim to generate fixed income and long-term capital growth by investing primarily in Asian debt securities, which may include investment grade, non-investment grade, unrated debt securities and convertible securities. We expect the management and performance fee rates of such fund to be around the same as that of Lego Vision Fund SP and Lego China Special Opportunities Fund SP. It is intended that seed money will also be invested into such fund. We have earmarked approximately HK\$12.0 million of the net proceeds from the Share Offer as seed money for the fund expected to be launched in the first half of 2020. Our Directors believe that, with the proper development of our asset management business, we will gradually achieve a sound growth of the total size of the assets under our management, generating more asset management fees and performance-based incentive income, so as to broaden our revenue base in the long run.

Notwithstanding we only commenced our asset management business in March 2019, our Directors consider that there will be market and growth opportunities for our asset management business. According to the Asset and Wealth Management Survey 2018 published by the SFC in

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July 2019, licensed corporations continued to play a dominant part in the asset management and fund advisory business in Hong Kong and contributed HK\$14,526 billion, representing approximately 88.3% of the total asset management and fund advisory business in 2018. The SFC has also been pursuing initiatives to facilitate the development of Hong Kong as a competitive full-service asset and wealth management centre and a preferred place of fund domicile, such as the implementation of mutual recognition of funds (MRF) arrangements with the Mainland and other markets. Our asset management team is headed by Mr. Choy Kwong Wa Christopher, the chief investment officer of Lego Asset Management, who had over 25 years of experience in asset management and investment industry as at the Latest Practicable Date. For details, see “Directors and Senior Management — Senior management”. Our Directors consider that his extensive experience, expertise and networks in the asset management industry will lead our asset management team to seize market opportunities, achieve sustained business growth and build client relationships.

Develop our securities financing business

We intend to expand our securities financing business to increase our interest income and expand our client base who trade securities with us on a margin basis. We have earmarked approximately HK\$8.0 million of the net proceeds from the Share Offer to increase our capital base for the expansion of our securities financing business.

Notwithstanding the short operating history of our securities financing business, we expect to see an increasing demand for our securities financing services from our customers and the market as a whole as detailed below. The number of securities accounts maintained with us increased satisfactorily since the commencement of our securities dealing and brokerage business in March 2017, which grew from 149 (active: 51) as at 31 March 2018 to 510 (active: 246) as at 31 March 2019. As at 31 March 2019, we had 154 active margin accounts and 92 active cash accounts. The trading volume of our margin accounts amounted to nil, approximately HK\$30.0 million and HK\$254.3 million for the three years ended 31 March 2019, respectively. The trading volume of our cash accounts (excluding a block trade of approximately HK\$514.4 million in relation to a takeover transaction (the “**Block Trade**”)) amounted to nil, approximately HK\$37.3 million and HK\$66.1 million for the three years ended 31 March 2019, respectively. As at the Latest Practicable Date, the outstanding balance of our margin loans amounted to approximately HK\$4.2 million.

Moreover, our active participation in IPO sponsorship projects provides us with a recurring source of underwriting opportunities, which in turn will increase the demand for our securities financing services as we provide margin financing to our customers to subscribe for the securities in the underwriting projects underwritten by us. We completed nil, six and 10 underwriting projects for the three years ended 31 March 2019, respectively. We expect the growth in our IPO sponsorship and underwriting businesses will drive the demand for our securities financing business. Further, we believe our active participation in the financial services industry has gradually increased our brand awareness among investors and would also help drive our securities financing business.

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Further, looking at industry data, from 2014 to 2018, the total number of active margin clients increased from 181,593 to 463,970, at a CAGR of approximately 26.4%, according to the SFC Financial Review of the Securities Industry 2014 to 2018. The gross interest income for Category C Stock Exchange Participants (i.e. the category that we fall under) also increased from approximately HK\$7,560 million for the year ended 31 December 2017, to approximately HK\$9,107 million for the year ended 31 December 2018, according to the SFC Financial Review of the Securities Industry 2018. Both the increase in the number of active margin clients and gross interest income for Category C Stock Exchange Participants support the increasing market demand as a whole. The number of new listing applications on the Main Board and GEM reached 360 and 129 for 2018, respectively, representing a CAGR of approximately 29.8% and 36.6% since 31 December 2014, respectively. In addition, according to the latest progress reports for new listing applications (Main Board and GEM) published by the Stock Exchange, there were 176 active Main Board listing applications and 39 active GEM listing applications as at 31 August 2019. Our Directors expect that the robust IPO market will fuel the demand for our IPO financing service.

By strengthening our lending capability through obtaining additional capital resources from the Share Offer, our Directors expect that our securities dealing and brokerage business will be benefited at the same time as clients may be enticed to engage in more active trading when they are facilitated with margin loans to purchase securities. Our Directors believe that our ability to provide IPO financing will also help attract clients to subscribe for shares offered under the public tranche of IPOs through our Group and may continue to trade such shares through their securities accounts with our Group subsequent to the completion of IPOs.

We also intend to recruit more self-employed AEs who are licensed for Type 1 (dealing in securities) regulated activity and have an existing portfolio of clients as they may refer to us clients for our securities dealing and brokerage and securities financing businesses. Since we do not incur staff cost for our self-employed AEs, our Directors consider that it is in the interest of our Group to recruit more resourceful self-employed AEs to expand our reach to potential clients and bring new business. We currently target to recruit at least 10 additional self-employed AEs within a 12-month period after the Listing. In addition, with improved financial strength after Listing, we may explore other business opportunities to diversify our revenue source, such as general offer financing, which we had declined business opportunity previously due to limited capital resources.

OUR BUSINESS ACTIVITIES

We are an active financial services provider in Hong Kong engaging in provision of (i) corporate finance advisory services; (ii) underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services.

(i) Corporate finance advisory services

We provide corporate finance advisory services through Lego Corporate Finance. Our corporate finance advisory services mainly include (i) IPO sponsorship services; (ii) financial advisory services; (iii) independent financial advisory services; and (iv) compliance advisory services. As at the Latest Practicable Date, our execution team (excluding our head of compliance and one consultant, both of whom are Licensed Representatives) consisted of 28 staff (including 18 Licensed Representatives and 10 Responsible Officers (of which five were sponsor principals)).

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The table below sets out a breakdown of revenue generated from our corporate finance advisory business during the Track Record Period.

	Year ended 31 March					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
IPO sponsorship services	31,205	39.7	39,832	42.8	38,542	42.1
Financial advisory services	36,276	46.2	35,922	38.6	34,738	37.9
Independent financial advisory services	5,096	6.5	7,782	8.3	8,364	9.1
Compliance advisory services	6,005	7.6	9,572	10.3	9,952	10.9
Total	78,582	100.0	93,108	100.0	91,596	100.0

The table below sets out the number of our corporate finance advisory projects during the Track Record Period and up to the Latest Practicable Date.

	IPO	Financial	Independent	Compliance	Total
	sponsorship	advisory	financial	advisory	
	services	services	advisory	services ⁽²⁾	
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Ongoing contracts as at 1 April 2016	9	14	6	7	36
New contracts for the year ended					
31 March 2017	7	37	20	9	73
Contracts completed for the year ended					
31 March 2017	(5)	(27)	(19)	(2)	(53)
Contracts terminated for the year ended					
31 March 2017 ⁽¹⁾	(1)	(9)	(2)	—	(12)
Ongoing contracts as at 31 March 2017 and carried forward to 1 April 2017	10	15	5	14	44
New contracts for the year ended					
31 March 2018	9	33	27	7	76
Contracts completed for the year ended					
31 March 2018	(7)	(27)	(28)	(1)	(63)
Contracts terminated for the year ended					
31 March 2018 ⁽¹⁾	(4)	(12)	(1)	(2)	(19)

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	IPO sponsorship services	Financial advisory services	Independent financial advisory services	Compliance advisory services ⁽²⁾	Total
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Ongoing contracts as at 31 March 2018 and carried forward to 1 April 2018	8	9	3	18	38
New contracts for the year ended 31 March 2019	18	45	47	4	114
Contracts completed for the year ended 31 March 2019	(3)	(24)	(34)	(4)	(65)
Contracts terminated for the year ended 31 March 2019 ⁽¹⁾	(4)	(6)	(3)	(1)	(14)
Ongoing contracts as at 31 March 2019 and carried forward to 1 April 2019	19	24	13	17	73
New contracts up to the Latest Practicable Date	3	21	24	2	50
Contracts completed up to the Latest Practicable Date	—	(14)	(19)	(5)	(38)
Contracts terminated up to the Latest Practicable Date ⁽¹⁾	(2)	(4)	(2)	(1)	(9)
Ongoing contracts as at the Latest Practicable Date	20	27	16	13	76

(1) During the year/period, several transactions were terminated for a number of reasons, which include (i) clients decided not to proceed with the transaction; (ii) certain milestones of the transactions, such as the obtaining of regulatory approvals, were not achieved as stipulated in the relevant mandate and the relevant mandate lapsed; and (iii) the parties could not agree on the amount of fees.

(2) The numbers of projects do not take into account the compliance advisory mandates in relation to companies which had not yet been listed on the Stock Exchange.

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The table below sets out the total number of our corporate finance advisory projects undertaken during the Track Record Period.

	IPO sponsorship services	Financial advisory services	Independent financial advisory services	Compliance advisory services⁽¹⁾	Total
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
For the year ended 31 March 2017	16	51	26	16	109
For the year ended 31 March 2018	19	48	32	21	120
For the year ended 31 March 2019	26	54	50	22	152

(1) The total number of projects for each indicated period does not take into account the compliance advisory mandates in relation to companies which had not yet been listed on the Stock Exchange.

The table below sets out the monetary value movement of outstanding contract value of our corporate finance advisory projects during the Track Record Period and new contract value from 1 April 2019 to the Latest Practicable Date.

	IPO sponsorship services	Financial advisory services	Independent financial advisory services	Compliance advisory services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding contract value as at 1 April 2016	30,734	13,984	1,383	3,890	49,991
New contract value for the year ended 31 March 2017	38,757	37,869	5,097	12,436	94,159
Contract value recognised for the year ended 31 March 2017	(31,205)	(36,276)	(5,096)	(6,005)	(78,582)
Terminated outstanding contract value for the year ended 31 March 2017	(4,130)	(2,465)	(405)	—	(7,000)
Outstanding contract value as at 31 March 2017 and carried forward to 1 April 2017	34,156	13,112	979	10,321	58,568
New contract value for the year ended 31 March 2018	49,958	51,788	7,867	12,463	122,076
Contract value recognised for the year ended 31 March 2018	(39,832)	(35,922)	(7,782)	(9,572)	(93,108)
Terminated outstanding contract value for the year ended 31 March 2018	(12,950)	(5,163)	(119)	(2,948)	(21,180)

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	IPO sponsorship services	Financial advisory services	Independent financial advisory services	Compliance advisory services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding contract value as at 31 March 2018 and carried forward to 1 April 2018	31,332	23,815	945	10,264	66,356
New contract value for the year ended 31 March 2019	77,444	34,953	9,915	8,011	130,323
Contract value recognised for the year ended 31 March 2019	(38,542)	(34,738)	(8,364)	(9,952)	(91,596)
Terminated outstanding contract value for the year ended 31 March 2019	(10,920)	(1,295)	(455)	(88)	(12,758)
Outstanding contract value as at 31 March 2019 and carried forward to 1 April 2019	59,314	22,735	2,041	8,235	92,325
New contract value up to the Latest Practicable Date	16,848	8,725	6,829	2,073	34,475

The table below sets out the overall unsuccess rate⁽¹⁾ of our corporate finance advisory projects during the Track Record Period.

	%
IPO sponsorship services	20.9
Financial advisory services	20.9
Independent financial advisory services	6.0
Compliance advisory services	11.1

(1) The unsuccess rate is calculated by dividing the total number of terminated/lapsed projects by the total number of projects during the Track Record Period.

IPO sponsorship services

Since the commencement of our corporate finance advisory business in January 2016, we have been actively providing IPO sponsorship services to corporate clients pursuing listing on the Main Board and GEM. As at the Latest Practicable Date, we had five sponsor principals.

Our main responsibilities as a sponsor include: (i) guiding and advising listing applicants and their directors through the IPO process in respect of the Listing Rules and the GEM Listing Rules; (ii) leading, coordinating and managing the entire listing process including formulating timetable and offering strategies, advising the clients on the engagement of professional parties, anticipated costs and major milestones and challenges during the listing process; (iii) conducting due diligence

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(including conducting site visits and reviewing clients' documents to understand clients' major business operations, financial information, legal and compliance matters, conducting interviews with clients' customers and suppliers and reviewing clients' internal control matters and ensuring that the due diligence standards under Practice Note 21 to the Listing Rules or Practice Note 2 to the GEM Listing Rules (as the case may be) and the Code of Conduct are met) and assessing listing applicants' suitability for listing; (iv) making submissions and addressing comments and matters raised by the regulators in connection with the listing application; (v) liaising with the intermediaries and underwriting syndicates; (vi) ensuring sufficient disclosure in the prospectus and application documents in compliance with the relevant regulatory requirements; (vii) assessing investors' interests in the proposed listing; (viii) managing the process of the public offer to ensure it is conducted in a fair and orderly manner to ensure an open market for the shares to be issued under such public offer; and (ix) maintaining sufficient books and records to demonstrate that proper due diligence is conducted, contentions issues are investigated and how conclusions are reached.

During the Track Record Period, we successfully completed 15 IPO sponsorship projects on the Main Board or GEM. We recognised IPO sponsorship income of approximately HK\$31.2 million, HK\$39.8 million and HK\$38.5 million for the three years ended 31 March 2019, respectively, representing approximately 39.7%, 38.0%, and 32.5% of our total revenue for the respective years. For the three years ended 31 March 2019, the number of IPO sponsorship projects which we had recognised revenue were 13, 17 and 24, respectively. As at the Latest Practicable Date, we were engaged in 20 ongoing IPO sponsorship projects, of which nine were proposed Main Board IPOs, seven were proposed GEM IPOs and four were proposed transfer of listing from GEM to Main Board. During the Track Record Period, one listing application which we had submitted to the Stock Exchange was returned.

The table below sets out the particulars of our IPO sponsorship projects completed during the Track Record Period.

<u>Name of listed companies</u>	<u>Nature of business</u>	<u>Our role</u>	<u>Listing date</u>	<u>Initial market capitalisation ⁽¹⁾</u> <i>(HK\$ million)</i>
<i>For the year ended 31 March 2017</i>				
1. Janco Holdings Limited (stock code: 8035)	A freight forwarding services and logistics services provider based in Hong Kong	Sole sponsor	7 October 2016	246.0
2. IBI Group Holdings Limited (stock code: 1547)	A building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau	Sole sponsor	14 October 2016	360.0
3. EFT Solutions Holdings Limited (stock code: 8062)	An electronic fund transfer at point-of-sale ("EFT-POS") solution provider focusing on providing EFT-POS terminal and peripheral device sourcing and EFT-POS system support service in Hong Kong	Sole sponsor	15 December 2016	268.8

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<u>Name of listed companies</u>	<u>Nature of business</u>	<u>Our role</u>	<u>Listing date</u>	<u>Initial market capitalisation ⁽¹⁾</u> <i>(HK\$ million)</i>
4. HongGuang Lighting Holdings Company Limited (stock code: 8343)	Principally engaged in the design, development, manufacture and sale of light-emitting diode (“LED”) beads and LED lighting products	Sole sponsor	30 December 2016	252.0
5. WWPKG Holdings Company Limited (stock code: 8069)	Principally engaged in (i) the design, development and sale of outbounding package tours; (ii) the sale of air tickets and hotel accommodations; and (iii) the sale of ancillary travel related products and services	Sole sponsor	12 January 2017	320.0
<i>For the year ended 31 March 2018</i>				
6. BCI Group Holdings Limited (stock code: 8412)	Principally engaged in the operation of clubbing, entertainment and restaurant business in Hong Kong	Sole sponsor	7 April 2017	272.0
7. My Heart Bodibra Group Limited (stock code: 8297)	Principally engaged in the manufacture and retail sales of lingerie products and provision of beauty services	Sole sponsor	13 July 2017	192.0
8. Wan Cheng Metal Packaging Company Limited (stock code: 8291)	Principally engaged in manufacturing and sale of tinsplate packaging products in the PRC	Sole sponsor	18 July 2017	260.0
9. Takbo Group Holdings Limited (stock code: 8436)	Principally engaged in the design, development, manufacturing and sale of beauty products, and design, development and sale of beauty bags	Sole sponsor	27 October 2017	276.0
10. Zioncom Holdings Limited (stock code: 8287)	Principally engaged in the manufacture and sale of networking products specialising in the design and development of the wireless networking products	Sole sponsor	18 January 2018	283.8
11. Atlinks Group Limited (stock code: 8043)	Principally engaged in the design, development and sale of home and office telecommunications products	Sole sponsor	19 January 2018	200.0

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<u>Name of listed companies</u>	<u>Nature of business</u>	<u>Our role</u>	<u>Listing date</u>	<u>Initial market capitalisation ⁽¹⁾</u> <i>(HK\$ million)</i>
12. B & S International Holdings Ltd. (stock code: 1705)	Principally engaged in distribution of food and beverage products and provision of catering service	Sole sponsor	14 March 2018	400.0
<i>For the year ended 31 March 2019</i>				
13. CTEH INC. (stock code: 1620)	Principally engaged in air ticket distribution and travel business	Sole sponsor	28 June 2018	432.0
14. K Group Holdings Limited (stock code: 8475)	A Singapore-based multi-brand restaurant operator	Sole sponsor	13 August 2018	288.0
15. Best Mart 360 Holdings Limited (stock code: 2360)	A leisure food retailer operating chain stores in Hong Kong	Sole sponsor	11 January 2019	1,000.0

(1) The initial market capitalisation is calculated based on the final offer price upon listing of shares of the respective listed companies.

Pricing policy

We charge our clients an agreed sponsor fee, which is determined with reference to the estimated time and amount of work required, which is determined by, among others, the complexity of restructuring and listing issues required to be resolved before application for listing, intensity of listing timetable and the scope of due diligence. Our sponsor fee is generally payable by three to four instalments upon the occurrence of the milestone events defined in the mandate, namely, (i) signing of engagement letter; (ii) submission of listing application to the Stock Exchange; (iii) listing hearing; and (iv) upon listing of shares.

During the Track Record Period, the sponsorship fees charged by our Group for acting as a sponsor ranged from approximately HK\$3.5 million to approximately HK\$6.7 million (excluding the sponsor fee of HK\$2.0 million payable to Lego Corporate Finance in respect of the Listing) for IPO projects and from HK\$0.7 million to HK\$2.9 million for transfer of listing projects.

Financial advisory and independent financial advisory services

As a financial adviser, our main responsibilities include: (i) advising the client as to compliance with the Listing Rules, the GEM Listing Rules and the Takeovers Code; (ii) assisting the client in negotiating and advising on the terms and conditions of the transaction; (iii) advising on and discussing with the client and its professional parties the structure of the proposed transaction and the relevant implications under the Listing Rules, the GEM Listing Rules and the Takeovers Code and all other applicable law, rules, codes and guidelines; (iv) coordinating the work of other professional parties; (v) supervising the preparation of and reviewing the required documentation; (vi) submission on behalf of the client of documents such as letters of advice, announcements, circulars and other documents as required by the Stock Exchange and/or the SFC;

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(vii) liaising with relevant regulatory authorities for the clearance and/or publication of relevant announcements; circulars and other documents as required; (viii) where required, performing due diligence, the scope of which depends on the size, complexity and the relevant regulatory requirements of the proposed transaction; and (ix) maintaining proper books and records that are sufficient to demonstrate its compliance with the Code of Conduct.

We advise our clients on a broad spectrum of corporate transactions, including resumption, privatisation, merger and acquisition, disposal, issue of securities, general offer and restructuring. We also provide general financial advisory services to listed companies where our principal responsibility is to advise the client on the requirements and application of the Listing Rules, the GEM Listing Rules and the Takeovers Code (as the case may be) on potential transactions and other corporate actions from time to time. During the Track Record Period, we were also engaged by private companies contemplating listing on the Stock Exchange to provide pre-IPO financial advisory services on the rules, regulations, requirements and other relevant matters of an IPO.

During the Track Record Period, we completed five financial advisory projects in relation to the Share Sale Transactions by five clients (the “**Subject Client(s)**”). The revenue generated from such Share Sale Transactions accounted for approximately 38.4%, 34.6% and 3.8% of our total revenue derived from corporate finance advisory services, excluding IPO sponsorship services, for the three years ended 31 March 2019, respectively. Three of the Subject Clients ranked among our top five customers during the Track Record Period, namely Customer Group A, Customer B and Customer F.

The aforesaid Share Sale Transactions involved disposals and takeovers of the controlling interests in the relevant listed companies (the “**Subject Listed Companies**”), which were listed on the Stock Exchange in 2005, 2013, 2014, 2015 and 2016, respectively, and of which four were listed on the Main Board and one was listed on GEM. Our services mainly included advising on rules and regulations, attending meetings in Hong Kong and overseas, managing the due diligence process, reviewing documents, and assisting in the liaison with the counterparties. The duration of each of such projects was over six months. Our service fees were determined after arm’s length negotiation between the clients and us taking into consideration our scope of work, in particular that, since our services were provided to the controlling shareholders of listed companies, it mostly involved high level discussions and/or advice, and bespoke services provided mainly by our CEO and other senior management, which might be on an ad hoc basis or even under very short notice. We charged (i) an one-off fixed fee for three of such projects payable upon completion of such transactions; and (ii) a fee rate calculated based on a pre-determined percentage of the total consideration of two of such projects payable one-off upon completion of such transactions.

Mr. Mui, Mr. Liu and/or Mr. Ng became acquainted with four of the Subject Clients prior to the commencement of our Group’s business when they previously worked in the same corporate finance firm and took part in the provision of IPO sponsorship services and/or compliance advisory services to the Subject Listed Companies since around 2013 and 2014. Mr. Mui and Mr. Liu became acquainted with the remaining Subject Client through the introduction by another Subject Client in or around the third quarter of 2016. To our best knowledge, the Subject Clients either had received enquiries about the potential sale of their controlling interests in their respective Subject Listed Companies from time to time or were interested in exploring the possibility of selling their controlling interests in their respective Subject Listed Companies, and they all subsequently approached us and engaged us for our financial advisory services in the Share Sale Transactions.

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For the year ended 31 March 2019, we completed a financial advisory project, in which our services were provided to Customer K, one of our top five customers during the Track Record Period and an energy technology company, and generated revenue of approximately HK\$16.6 million for the year. Our services involved a highly comprehensive due diligence exercise on a very sizable listed company under a tight timetable for the purpose of preparing a public disclosure document. The subject listed company had over 120 subsidiaries in different parts of the PRC and around the world, with an annual revenue of over HK\$5 billion. The duration of such project was more than 10 months. Our service fee was determined after arm's length negotiation between the client and us taking into consideration the substantial manpower required to meet the tight timetable and perform the due diligence work in dispersed geographical locations.

As an independent financial adviser, we are mainly responsible for conducting reviews and analyses on the proposed transactions and assessing the fairness and reasonableness of the terms of the proposed transactions. Upon such assessments, we issue our opinion letters to the independent board committee and/or independent shareholders of listed issuers with voting recommendations, which are incorporated in the circulars pursuant to the Listing Rules, the GEM Listing Rules and the Takeovers Code. We are also responsible for assisting our clients to obtain the necessary clearance or approval in relation to our opinion letters from the Stock Exchange and/or the SFC. During the Track Record Period, the transactions in which we were engaged as an independent financial adviser mainly included connected transactions, open offer, whitewash waivers and general offers.

For the three years ended 31 March 2019, we were engaged in 77, 80 and 104 financial advisory and independent financial advisory projects. For the three years ended 31 March 2019, our financial advisory fee income (generated from both financial advisory and independent financial advisory services) amounted to approximately HK\$41.4 million, HK\$43.7 million and HK\$43.1 million, respectively, representing approximately 52.7%, 41.7% and 36.4% of our total revenue for the respective years.

The table below sets out the particulars of our selected financial advisory projects⁽¹⁾ completed during the Track Record Period.

<u>Name of listed companies</u>	<u>Nature of the transaction</u>	<u>Our role</u>
1. Datang International Power Generation Co., Ltd. (stock code: 991)	Major and connected transaction	Independent financial adviser
2. i-CABLE Communication Limited (stock code: 1097)	Open offer, whitewash waiver and special deals	Independent financial adviser
3. SUNDART HOLDINGS LIMITED (stock code: 1568)	Major and connected transaction	Independent financial adviser
4. Kenford Group Holdings Limited (stock code: 464)	General offer under the Takeovers Code	Financial adviser
5. KVB Kunlun Financial Group Limited (stock code: 6877)	Listing on the Main Board by way of introduction and transfer from GEM	Financial adviser
6. Henry Group Holdings Limited (now known as Zhongchang International Holdings Group Limited) (stock code: 859)	General offer under the Takeovers Code	Financial adviser

- (1) These selected projects are considered by our Directors as our representative projects as they relate to listed companies which are well-known to Hong Kong investing public and/or have large market capitalisation, or represent our typical takeovers projects, or represent a milestone project for being our first completed project of that type.

Pricing policy

We generally charge an agreed amount on a project-by-project basis, which is determined after arm's length negotiations with clients based on various factors, such as the scope of our services to be provided, the complexity and size of the transactions, our expected workload, requirements on deliverable, expected time spent. Payments are typically payable by instalments upon the occurrence of the milestone events specified in the mandate, such as (i) upon signing of mandate; (ii) upon publication of announcement; (iii) upon despatch of circular; (iv) upon completion of the shareholders' meeting; and (v) upon completion of the transactions.

During the Track Record Period, the advisory fees charged by our Group for acting as financial advisers and independent financial adviser ranged from approximately HK\$9,000 to HK\$18.5 million and HK\$60,000 to approximately HK\$1.1 million, respectively.

Compliance advisory services

We act as a compliance adviser for listed companies (both Main Board and GEM). Pursuant to the Listing Rules and the GEM Listing Rules, each newly listed company in Hong Kong is required to engage a compliance adviser to assist it to comply with these rules for an initial period commencing from the listing date to the date on which it complies with the requirements in respect of its financial results for the first full financial year commencing after the date of listing under the Listing Rules for Main Board listings or for the second full financial year commencing after the date of its initial listing under the GEM Listing Rules for GEM listings. At any time after the initial period, the Stock Exchange may direct the listed company to appoint a compliance adviser for a specified period and to undertake the compliance advisory role as may be specified by the Stock Exchange.

As a compliance adviser, our main responsibilities include: (i) ensuring that clients are properly guided and advised as to compliance with the Listing Rules and the GEM Listing Rules (as the case may be); (ii) upon the clients notifying us of a proposed change in the use of proceeds of the initial public offering, discussing with the clients (a) their operating performance and financial condition by reference to their business objectives and use of issue proceeds as stated in the listing document; (b) compliance with the terms and conditions of any waivers granted from the Listing Rules or the GEM Listing Rules (as the case maybe); (c) whether any profit forecast or estimate in the listing document will be or has been met by the clients and advise the clients to notify the Stock Exchange and inform the public in a timely and appropriate manner; and (d) compliance with any undertakings provided by the clients and its directors at the time of listing, and, in the event of non-compliance, discuss the issue with the board of directors of the clients and make recommendations to the board regarding appropriate remedial steps; (iii) accompanying the clients to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange; (iv) in relation to an application by the clients for a waiver from any of the requirements in Chapter 14A of the Listing Rules or Chapter 20 of the GEM Listing Rules (as the case maybe), advising the clients on their obligations and in particular the requirement to appoint

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an independent financial adviser; (v) assessing the understanding of all new appointees to the board of the clients regarding the nature of their responsibilities and fiduciary duties as a director of a client, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the board and make recommendations to the board regarding appropriate remedial steps such as training; and (vi) providing advices to the clients upon their requests before the publication of any regulatory announcement, circular or financial report, where a transaction which might be a notifiable or connected transaction is contemplated including share issues and share repurchases and where the clients proposes the change of the use of the proceeds of initial public offerings.

During the Track Record Period, all clients of our completed IPO sponsorship projects engaged us as a compliance adviser. For the three years ended 31 March 2019, our compliance advisory fee amounted to approximately HK\$6.0 million, HK\$9.6 million and HK\$10.0 million, respectively, representing approximately 7.6%, 9.1% and 8.4% of our total revenue for the respective years.

The table below sets out information on our selected clients of our compliance advisory projects⁽¹⁾ during the Track Record Period.

<u>Name of listed companies</u>	<u>Principal business</u>	<u>Listing date</u>	<u>Status as at the Latest Practicable Date</u>
1. Hypebeast Limited ⁽²⁾ (stock code: 150)	Principally engaged in advertising services and sale of third-party branded clothing, shoes and accessories	11 April 2016	Completed
2. WWPKG Holdings Company Limited (stock code: 8069)	Principally engaged in (i) the design, development and sale of outbounding package tours; (ii) the sale of our tickets and hotel accommodations; and (iii) the sale of ancillary travel related products and services	12 January 2017	Completed
3. B & S International Holdings Ltd. (stock code: 1705)	Principally engaged in distribution of food and beverage products and provision of catering service	14 March 2018	Ongoing
4. CTEH INC. (stock code: 1620)	Principally engaged in air ticket distribution and travel business	28 June 2018	Ongoing
5. Best Mart 360 Holdings Limited (stock code: 2360)	A leisure food retailer operating chain stores in Hong Kong	11 January 2019	Ongoing

(1) These selected projects are considered by our Directors as our representative projects in terms of they being related to listed companies with renowned brands to Hong Kong general public, including “Hypebeast”, “縱橫遊”, “TenRen (天仁茗茶)” and “Best Mart 360(優品360)”; or relating to our first Canada-based corporation client.

(2) Hypebeast Limited was listed on GEM from 11 April 2016 to 7 March 2019 (stock code: 8359) and was listed on the Main Board by way of transfer of listing on 8 March 2019 (stock code: 150).

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Pricing policy

We generally charge clients a monthly or quarterly fixed fee for our compliance advisory services, which is determined on a case-by-case basis with reference to the scope of service to be provided and the expected time spent and required manpower for performing our services.

During the Track Record Period, the advisory fees charged by our Group for acting as a compliance adviser ranged from approximately HK\$13,000 to HK\$0.1 million per month.

Operational procedures

The operational procedures of our corporate finance advisory business are generally as follows:

Deal origination and pre-engagement assessment

Our projects generally originate from networks of our Responsible Officers and our corporate finance execution team, referrals from professional parties or existing clients, and direct approaches by new clients. Clients may approach us directly due to our market reputation or, in case of our financial advisory or independent financial advisory projects, our relationship with them stemmed from previous engagements.

Our execution team will first liaise with potential clients for the purposes of understanding their needs and background information, following which, we will provide potential clients with introduction on our team, services and experience, fee quotation, together with preliminary proposals on the proposed transaction, as the case may require.

Where a potential client indicates an interest in engaging us, our execution team will commence pre-engagement procedures which include (i) obtaining information on the potential client such as the shareholding and management structures, principal business, capital structure, financial performance and position, and share price movement and liquidity; (ii) preparing pre-engagement KYC checklist and document request list and reviewing the information and documents provided if required; and (iii) notifying our compliance department to conduct conflict and independence checks (if required) based on the information provided by the potential client and public information.

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The operation and execution of the projects under our corporate finance business is currently managed by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and other Responsible Officers of Lego Corporate Finance (collectively, the “**LCF Management Team**”). Each member of the LCF Management Team is capable of sourcing new business opportunities through their respective personal business networks in the market.

During the Track Record Period, approximately 37.8% to 54.7% of revenue derived from our corporate financial advisory projects originated from Mr. Mui’s contacts as shown in the table below.

	For the year ended 31 March					
	2017		2018		2019	
	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%
Mr. Mui	31,873	40.6	50,942	54.7	34,624	37.8
Other members of the LCF Management Team	<u>46,709</u>	<u>59.4</u>	<u>42,166</u>	<u>45.3</u>	<u>56,972</u>	<u>62.2</u>
Total	<u><u>78,582</u></u>	<u><u>100.0</u></u>	<u><u>93,108</u></u>	<u><u>100.0</u></u>	<u><u>91,596</u></u>	<u><u>100.0</u></u>

Engagement

The pre-engagement KYC checklist detailing the findings from the due diligence will be reviewed by the project Responsible Officer (or sponsor principal in case of an IPO) and is subject to final approval by our CEO and a Responsible Officer (or sponsor principals in case of an IPO) who will not be involved in the same project. The approval process takes into consideration of a number of aspects concerning the project, including our roles and responsibilities, risk level of the potential clients, conflict of interest, integrity of potential client’s management, reliability of information from the potential client, our ability to provide quality services, public records or media reporting on the potential client, reliability of the potential client’s accounting and internal control systems, and the financial health of the potential client, relationship with client, nature, scale and complexity of the project and any foreseeable difficulties in complying with the relevant regulatory requirements. For IPO sponsorship projects, matters including business, financials, compliance record, corporate structure, management and shareholders of the listing applicant may also be considered. If approval for engagement is given, our execution team will prepare a draft of the mandate, which is to be reviewed and commented by the client and/or its legal advisers for the proposed project. For the salient terms of our mandate, see “— Our business activities — (i) Corporate finance advisory services — Salient terms of mandate”.

Deal execution

At least one Responsible Officer will be assigned and fully responsible for supervising one corporate finance advisory project. Such Responsible Officer is mainly responsible for case management and supervision, including standards and schedule of works, manpower arrangement, providing guidelines to the deal team members, escalation and notification of significant issues to the senior management and liaison with client and other professional parties involved. For IPO sponsorship projects, our execution team, with the supervision of at least one sponsor principal,

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will compile and circulate a summary on major issues noted during the due diligence processes together with the corresponding solutions and rectification status in relation to the subject IPO sponsorship projects to all of our sponsor principals and Responsible Officers for review and discussion prior to the submission of listing application to the Stock Exchange and the SFC. The relevant sponsor principal will proceed with the listing application submission after the major issues have been resolved.

In execution of the projects, our execution team will mainly perform the following tasks: (i) performing necessary due diligence, the scope of which depends on the scale, nature and size of the project, and the requirements of the relevant regulations and guidance; (ii) advising the client on compliance with the relevant regulatory requirements; (iii) discussing with the client and professional parties as to drafting and preparation of the transaction agreements or any submission, notice, announcement, letter of advice, circular, prospectus or any other document as required by the project and the regulatory requirements; (iv) coordinating the work of professional parties and seeking advice from experts on compliance of rules and requirements applicable to different industries or jurisdictions, if applicable; and (v) submission of the required documentation to the Stock Exchange and the SFC and liaising with them for the purposes of vetting, clearance and/or publication, if required.

Completion

As part of completion, we will maintain our internal records in accordance with our internal control policy and the relevant laws and regulations. We will issue an invoice for client's final payment for our service fee and disbursement according to the terms of our mandate. The Responsible Officer (or sponsor principal in case of an IPO) will work closely with our finance and accounts department on collection of the invoiced amount in accordance with the mandated payment terms.

Salient terms of mandate

Set out below is a summary of the salient terms of the legally-binding contracts between our Group and our major clients for corporate finance advisory services.

Scope of services

Our mandates set out our role as the sponsor, financial adviser, independent financial adviser or compliance adviser, as the case may be and the scope of services to be provided by us, having regard to our obligations under the relevant laws and regulations.

Clients' responsibilities

Our mandates also specify the client's responsibilities to facilitate us to perform our duties and to meet our obligations under the relevant laws and regulations, including assisting us to perform due diligence, procuring other professional parties engaged by the client to fully cooperate with us or to carry out their own responsibilities, and enabling us to gain access to all relevant records of the client and documents provided by other professional parties in connection with the transaction.

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Term

During the Track Record Period, our mandates (save for the mandates for our compliance advisory services, the engagement period under which is stipulated with reference to the Listing Rules or GEM Listing Rules) were generally for a period ranging from three to 12 months.

Service fee and payment terms

Our mandates specify the terms of our service fee including the payment schedule or a provision that payment is required to be made after issue of an invoice. We accept payments by cheques or via wire transfers for settlement of our invoices. Our mandates generally state that out-of-pocket expenses incurred by us during the course of provision of our services will be reimbursed by the client. We do not grant credit terms to our clients.

Indemnity

We generally require our client to indemnify us where we suffer any loss, damage or claims due to the relevant transaction unless such loss, damage or claims are caused by our fraud, negligence or wilful default.

Termination

Our mandates normally grant the right for us and our client to terminate the contract by written notice to the other party. Our mandates may also provide for events of default and the occurrence of which would entitle the relevant party to terminate the contract.

(ii) Underwriting services

We provide underwriting and sub-underwriting services through Lego Securities by acting as a global coordinator, a bookrunner, a lead manager or an underwriter (as the case may be) in IPOs and may be responsible for introducing cornerstone investors to clients. We may also act as underwriter, sub-underwriter, placing agent or sub-placing agent for secondary market fund raising exercises. As at the Latest Practicable Date, our ECM team consisted of two Responsible Officers (who are also responsible for managing the securities dealing and brokerage and securities financing business).

We completed nil, six and 10 underwriting projects for the three years ended 31 March 2019, respectively. Of the aforesaid projects, the maximum fund raising size of GEM underwriting projects and Main Board underwriting projects ranged from approximately HK\$64.0 million to approximately HK\$103.0 million and from approximately HK\$100.0 million to approximately HK\$523.8 million, respectively. For the three years ended 31 March 2019, underwriting commission from our underwriting business amounted to nil, approximately HK\$9.3 million and HK\$21.0 million, respectively, representing nil, approximately 8.9% and 17.7% of our total revenue for the respective years.

During the Track Record Period, we did not complete any secondary market fund raising project, either as a placing or sub-placing agent or otherwise.

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Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed five underwriting projects as (i) an underwriter in a rights issue of a listed company; (ii) a sub-underwriter in a spin-off and separate listing transaction; (iii) an underwriter in a Main Board IPO; and (iv) a sub-underwriter in two Main Board IPOs.

We generally underwrite IPOs on a fully-underwritten basis, while we may underwrite other fund raising activities on a best effort or a fully-underwritten basis. During the Track Record Period, none of the underwriting projects in which we participated was undersubscribed, and therefore we were not required to take up any unsubscribed offer shares. For the three years ended 31 March 2019, our aggregate net underwriting commitments were nil, approximately HK\$111.7 million and HK\$282.0 million, respectively, and the average percentage of our net underwriting commitment to the total maximum fund raising size of the relevant projects were nil, approximately 22.6% and 17.4% for the respective years. The increase in our net underwriting commitment from the year ended 31 March 2018 to the year ended 31 March 2019 was mainly attributable to the increase in the number of underwriting projects from six for the year ended 31 March 2018 to 10 for the year ended 31 March 2019, which our Directors consider was a result of our marketing efforts and increased client confidence as we build up our track record of successful projects.

During the Track Record Period, we managed to secure an underwriting role in nine out of 15 of our completed IPO sponsorship projects (five of such 15 IPO sponsorship projects were completed before the commencement of our underwriting business). Since the commencement of our underwriting business in March 2017 up to 31 March 2019, we completed seven underwriting projects in which we acted as an underwriter but not as the sponsor and one IPO sponsorship project in which we acted as the sponsor but not as an underwriter.

The table below sets out the information on our selected underwriting projects⁽¹⁾ completed during the Track Record Period.

<u>Name of listed companies</u>	<u>Completion date</u>	<u>Our role</u>	<u>Maximum fund raising size⁽²⁾</u> <i>HK\$'000</i>	<u>Net underwriting commitments⁽³⁾</u> <i>HK\$'000</i>	<u>Commission rate</u> %
1. B & S International Holdings Ltd. (stock code: 1705)	14 March 2018	Sole global coordinator and joint bookrunner	100,000	50,000	4.5
2. Shineroad International Holdings Limited (stock code: 1587)	27 June 2018	Co-lead manager	127,500	1,275	3.5
3. Niche-Tech Group Limited (stock code: 8490)	30 May 2018	Joint bookrunner and joint lead manager	98,600	88,740	3.0
4. CTEH INC. (stock code: 1620)	28 June 2018	Sole global coordinator and joint bookrunner	127,500	36,278	10.0
5. Best Mart 360 Holdings Limited (stock code: 2360)	11 January 2019	Sole bookrunner and joint lead manager	300,000	153,000	2.0

(1) These selected projects are considered by our Directors as our representative projects as our net underwriting commitments and/or the maximum fund raising size in respect of such projects being relatively sizeable.

(2) Maximum fund raising size of the project is calculated based on the high end of the offer price range, assuming over-allotment options are not exercised.

(3) Net underwriting commitment is calculated based on the high end of the offer price range and excludes any securities which are sub-underwritten.

Operational procedures

Deal origination and pre-engagement assessment

As benefited from our well-developed corporate finance advisory business, our underwriting business generally originate from clients applying for listing on the Stock Exchange for which we act as the sponsor, listed issuers who have previously engaged us for our other corporate finance advisory services and networks of ECM team. During the Track Record Period, nine of our underwriting projects originated from clients of our IPO sponsorship service (we acted as a sponsor to the client in the relevant IPO) .

The head of our ECM team is responsible for discussing with our clients about proposed fund raising size, terms and structure, pricing basis, target investors and timetable of the projects. For our potential underwriting projects, we will perform pre-engagement KYC procedures before accepting the engagement.

Engagement

The pre-engagement KYC checklist detailing the findings from the due diligence is prepared by our ECM team and is subject to the approval by the board of directors of Lego Securities. During the approval process, a number of aspects concerning the project will be considered including the deal size, tentative timetable, estimated income attributable to us, commission rate, underwriting commitment, our risk exposure, financial resources requirement and benefits under the engagement. If approval for engagement is granted, our ECM team will, in conjunction with the underwriters' legal advisers, review and comment on the underwriting agreement, which will typically be signed on or before the date of the prospectus (in the case of public offer underwriting agreement) and on or about the date of price determination (in the case of placing underwriting agreement).

Deal execution

In execution of the projects, our ECM team (subject to our role in the relevant projects) will mainly perform the following tasks: (i) forming the underwriting syndicate and liaising and coordinating with each syndicate member; (ii) setting the price range with the issuers and the syndicate members; (iii) determining the target investor type and placee mix with the issuers and the syndicate members; (iv) arranging marketing and roadshow activities and booking-building process; (v) monitoring the FRR compliance and any market, credit and liquidity risks on an ongoing basis; (vi) reviewing and executing underwriting documentation; (vii) discussing the price determination, overall strategy and allocation basis with the issuers and other syndicate members with a view to achieving an open market and an adequate spread of shareholders; (viii) enquiring the independence of the relevant investors; (ix) monitoring the issue of any research reports and working with the legal advisers and the research analysts of the underwriting syndicate to ensure that any research reports are distributed in compliance with the relevant rules and regulations; (x) monitoring despatch of prospectus, refund cheques and share certificates; and (xi) monitoring the project and keeping the board of directors of Lego Securities updated of any unusual developments.

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As far as allocation procedures are concerned, we are also responsible for (i) KYC documentation regarding our clients; (ii) cross-checking duplication of addresses, sources of funding and relationship to ensure the clients are not a nominee of any other person; and (iii) working with sponsors and other underwriters to ensure fair and orderly allocation of GEM IPO shares. During the KYC process, we strictly observe the guidance set out in the “Joint statement regarding the price volatility of GEM stocks” and the “Guideline to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks” (the “**Guideline**”) and pay attention to the “red flags” stated in the Guideline.

Completion

As a step of completion, our ECM team is responsible for monitoring the settlement of all underwriting transactions and retaining all of our internal records and files in accordance with our internal control policy and the relevant laws and regulations. Proper records are kept in order to demonstrate compliance with the Guideline throughout the entire placing process. Debit notes for our commissions will be issued to our clients in accordance with the payment terms set out in the engagement letter or the underwriting agreement. Payments are normally deducted directly from the funds raised.

Pricing policy

Our underwriting commission rates vary from case to case and are determined after arm’s length negotiations with our client and/or among the syndicate members and mainly with reference to the size of proposed fund raising, prevailing market rate, valuation of the offering, proposed pricing, number of underwriters, the then market sentiments, target types and geographical locations of investors, perceived market response to and demand for the offering, number of underwriters involved, number of shares to be placed or underwritten by us and our role and bargaining power in the project. Generally, a higher commission rate will be charged on poor market sentiment and for transactions with pressing timelines. Therefore, the commission rates for underwriting projects may vary to a wide extent. The underwriting commission receivable by us is calculated with reference to the fund raising size and/or the aggregate offer price of the number of securities placed and/or underwritten by us.

During the Track Record Period, we completed seven Main Board underwriting projects and nine GEM underwriting projects. Our commission rate for such Main Board and GEM underwriting projects ranged from 2.0% to 10.0% and from 3.0% to 10.0%, respectively, which our Directors consider was in line with the market rates and market practice.

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(iii) Securities dealing and brokerage services

We provide our securities dealing and brokerage service through Lego Securities. As at the Latest Practicable Date, Lego Securities had a sales team comprising three Responsible Officers and six self-employed AEs, all of whom were licensed under the SFO, and one other staff member.

We offer securities dealing and brokerage services for trading in securities on the Stock Exchange and on other overseas exchanges; scrip handling and settlement services; account maintenance services; nominee and corporate action services; investor relations and related services. In relation to the securities listed on other overseas exchanges, we offer dealing services through placing dealing orders with external brokers. We maintain securities trading accounts with such external brokers and are required to pay brokerage commissions and fees to them for orders we placed with them on behalf of our clients. We charge our clients brokerage commission at rates that we consider appropriate after taking into consideration our costs. We do not conduct actual brokerage activities in overseas markets. The overseas markets in which we have acted as an intermediary for our clients during the Track Record Period were U.S. and Singapore.

For the three years ended 31 March 2019, brokerage commission and other related service fee income generated from our securities dealing and brokerage business was approximately HK\$38,000, HK\$2.4 million and HK\$5.6 million, respectively, representing approximately 0.05%, 2.3% and 4.7% of our total revenue for the respective years.

After opening a securities trading account with us, our client may place trading orders (i) by telephone; (ii) in writing; or (iii) through online trading platform through our website at www.legosecurities.hk. All of the telephone communications between clients placing trading orders by telephone with us are recorded by our telephone recording system as our internal control measures. Our online trading platform started operating in March 2017. It allows our customers to trace the transaction status and account balances on a real time basis and review their transaction histories. As at 31 March 2019, we had 246 active securities trading accounts (including 92 cash accounts and 154 margin accounts). Since our commencement of securities dealing and brokerage business in March 2017 up to 31 March 2019, the aggregate trading volume for orders executed through our securities dealing and brokerage services was approximately HK\$902.1 million including the Block Trade. Out of the aggregate trading volume of approximately HK\$387.7 million excluding the Block Trade, approximately 80.7% was generated from orders placed by telephone and in writing and approximately 19.3% was generated from orders placed through online trading platform.

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The table below sets out the number of our securities accounts maintained with us by our clients as at the respective dates.

	As at		
	31 March 2017	31 March 2018	31 March 2019
	Number of accounts (active) ⁽¹⁾	Number of accounts (active) ⁽¹⁾	Number of accounts (active) ⁽¹⁾
Cash accounts			
— House Accounts	— (—)	64 (11)	245 (73)
— Referred Accounts	2 (—)	17 (2)	53 (19)
	2 (—)	81 (13)	298 (92)
Margin accounts			
— House Accounts	— (—)	27 (15)	96 (67)
— Referred Accounts	— (—)	41 (23)	116 (87)
	— (—)	68 (38)	212 (154)
Total	2 (—)	149 (51)	510 (246)

(1) Active accounts represent those accounts that have generated brokerage commission to us during the respective financial year.

Accounts opened by clients referred by our sales team through their personal networks are classified as Referred Accounts, and accounts opened by other clients are classified as House Accounts. The income generated from House Accounts is attributed to our Group, while the income generated from Referred Accounts is shared between our sales team and our Group at an agreed sharing ratio. Such sharing of brokerage commission varies among the sales team and is determined on a case-by-case basis. During the Track Record Period, the proportion of commission paid to our sales team ranged from 50.0% to 70.0% of the amount of commission received.

Our self-employed AEs are solely responsible for handling the securities accounts of the clients they refer to us. Given the job nature, they are not our employees and are not entitled to any fixed monthly salary or statutory employment benefits. Our Directors consider that engaging self-employed AEs is in line with common industry practice and will enable us to reach out to more potential clients while minimising fixed staff costs. Our self-employed AEs are Licensed Representatives of Lego Securities and are required to comply with the Code of Conduct.

For the three years ended 31 March 2019, the total number of transactions of House Accounts was nil, 63 and 516, respectively, and that of Referred Accounts was nil, 598 and 835, respectively. For the three years ended 31 March 2019, the aggregate trading volume of House Accounts (excluding the Block Trade) was nil, approximately HK\$32.4 million and HK\$162.5 million, respectively, and that of Referred Accounts was nil, approximately HK\$34.9 million and HK\$158.0 million, respectively.

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Operational procedures

Each of our clients is required to open a securities trading account (a cash account or a margin account) with us before placing trading orders with us. Our sales team is responsible for collecting necessary identification documents from clients, providing the client with account opening form and securities client agreement. They also circulate to clients the risk disclosure statements, ensure clients' understanding on the same and having opportunity to seek independent advices before acceptance of client's account opening application.

Online search on clients' names for identification of any adverse record and information about the clients will be conducted and customers due diligence form will be completed, following which, our Responsible Officers will approve the account opening and forward the account opening documents to compliance department for double-checking the properness and completeness of documents and assigning risk rating to the clients.

Our sales team is responsible for taking trading orders from clients through telephone (such orders will be recorded through our telephone recording system with the verification on client's identity by checking their account number and name) or in writing (trading instruction form must be signed by the client). We do not allow the placing of trading orders from clients through mobile phones or instant messengers of our sales team personnel. Our sales team will inform clients the status of orders, such as whether the orders can be fully executed. Information of the transactions input during the day will also be checked after the market closes. In respect of our online trading platform, our clients can access our system (via user domain) and place trading orders by themselves using two factors login authentication with the initial login password as well as a one-time password which is generated randomly by our system. When trading orders are input, our system will check if the clients have sufficient cash and/or securities in their accounts to proceed the settlement and to cover the corresponding transaction cost. Our clients can trace the transaction status from the online trading platform on real time basis.

Our sales team and compliance department are responsible for conducting ongoing or periodic review of the clients' transactions, client standing authority and suspicious money laundering activities and signing off documents of such reviews.

Any trade error must be reported to a Responsible Officer immediately. If the trade error is spotted by one of the Responsible Officers, the other Responsible Officer must be notified. If there is an uncertainty or argument on the client order, the records in our telephone recording system will be retrieved for investigation. The Responsible Officer who is notified of the trade error is then required to determine the appropriate action or take rectification action such as squaring the position as soon as possible. Subsequently, a trade error report with details of the error and rectification actions will be produced and passed to the said Responsible Officer for approval, settlement department for processing and compliance department for reviewing and filing. There were no claims against us or material losses arising during the Track Record Period concerning trading errors relating to securities dealing and brokerage business.

Cross trades between client account and staff account are strictly prohibited.

Settlement

All trades executed through BSS are downloaded to the back office system maintained by our settlement department after the market closes. Our back office system will update clients' cash balance and stock balance to BSS for the next trade day according to the trades information downloaded.

If the client is a margin client, our sales team will review the margin call report and notify the client about the call amount if required. If the margin call procedure is triggered, our sales team is required to request his client to liquidate the portfolio to an acceptable level or deposit the shortfall to the client account on the same day. Otherwise, we reserve the right to liquidate the client's portfolio at our discretion.

If the loan amount exceeds the credit limit, the client has to deposit the difference or liquidate the portfolio to the level within the credit limit. The credit limit cannot be exceeded even if the client account has sufficient securities collateral. Cashier order of bank fund or wire transfer can be recognised as acceptable good funds for margin deposit. Margin call met by a personal cheque is considered as good funds only when the cheque is cleared.

Pricing policy

We charge our clients brokerage commission for executing trades in securities on the secondary market based on the transaction value of each completed trading order. We generally charge our clients brokerage commission at a rate from 0.025% to 0.25%, subject to a minimum fee of HK\$10 to HK\$100. For subscribing for securities on behalf of clients under IPO offering, we generally charge our clients a brokerage commission at a rate of 1.0%. We also charge our clients service fees for script handling and settlement services, account maintenance services, nominee corporate action services, investor relations and related services. The brokerage commission rates charged to our clients vary and are determined on a case-by-case basis after taking into account factors, including the transaction history, trading volume and frequency and financial position of our clients, the then market commission rates, prevailing economic conditions and market sentiment.

(iv) Securities financing services

To complement our securities dealing and brokerage services, we started providing margin financing and IPO financing to our clients in December 2017. Our securities financing business are carried out through Lego Securities under the same team and management for our securities dealing and brokerage services.

Our securities financing services include margin financing and IPO financing. For the three years ended 31 March 2019, the interest income generated from our securities financing business amounted to nil, approximately HK\$2,000 and HK\$0.3 million.

Margin financing

We offer margin financing to our clients by providing them with margin loans which are repayable on demand with the securities held under margin accounts maintained with us as collaterals. During the Track Record Period, we had accepted listed securities on the Stock Exchange, listed securities on the major exchanges in U.S., and listed bonds on the Stock Exchange and Singapore Exchange, as collaterals for margin financing business. Margin financing offers funding flexibility to our clients by enabling them to leverage their investments. During the Track Record Period, we provided margin financing to our clients through our internal resources.

Our agreements with clients typically include terms such as collateral requirements, margin call policy, interest rate and risk disclosure. The credit limit (i.e. lending limit) we grant to clients varies for each client. We do not grant our clients a credit limit automatically immediately after they open a margin account with us. We grant credit limit upon clients' request based on a number of factors, such as client's income, cash, deposit, securities and property owned. We monitor the credit limits of our clients from time to time and may adjust the credit limit based on factors such as high market volatility and deterioration of the client's financial status.

All margin financing facilities granted to clients are secured by collaterals acceptable to us. Normally only securities quoted on the Stock Exchange are eligible as collateral. Callable bull/bear contracts are generally not accepted as collateral for margin financing. We will consider to accept other marketable assets comprising equity or debt securities traded on foreign exchanges on a case-by-case basis, if approved by our credit committee under special circumstances. When considering whether to accept other marketable assets as collaterals, we may consider factors such as market conditions, the liquidity, credit rating, market capitalisation and market risk of the asset and whether the asset is traded on a reputable foreign exchange as well as our enforceability on the asset, so as to assess the possibility to recover the margin loan amount in the event force-sell is required. We maintain a list of approved securities and their respective margin ratio in relation to which we grant margin loans which is determined and reviewed by our credit committee from time to time with reference to other market participants and after taking into account factors, including the financial conditions, price performance, liquidity and industry outlook of the relevant listed companies, and prevailing market conditions. As at the Latest Practicable Date, the maximum margin ratio for HSI constituent stocks, other stocks listed on the Main Board and stocks listed on GEM were 70%, 50% and 20%, respectively.

The marginable value of each client's securities portfolio held under his/her/its securities trading account is determined by (i) the market value of securities held under that client's securities trading account; and (ii) the margin ratio for each of those securities. Our computer system generates a set of reports which contains the outstanding balance, the marginable value, the amount to be called for deposit and the loan-to-value ratio for each of our margin client. The head of our sales team is required to review such reports on a daily basis. Pursuant to our current policy, the maximum loan-to-value ratio is set at 80%. To the best knowledge of our Directors, the maximum loan-to-value ratio of 80% is in line with market practice.

During the start-up period of our margin financing business, approvals were granted by the credit committee to exempt 15 clients (the "**Exempted Accounts**") (including mainly high net worth clients, experienced investors, senior management of listed companies and clients with close

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or long personal or business relationship with us) from our margin policy. All clients of the Exempted Accounts are Independent Third Parties. Such approvals were granted after assessing our relationship with the clients, their background and net worth and considering the balance between the risks level to Lego Securities against its financial position and return. After such approvals had been granted, the Responsible Officer was required to closely monitor the Exempted Accounts and report the margin loan position to the board of directors of Lego Securities on a daily basis. No further extension of credit limit was allowed until the loan-to-value ratio and loan-to-margin ratio of approved accounts are reduced to normal level. The credit committee would reassess whether to continue granting the approval in or around six months. During the period from the commencement of our securities financing business in December 2017 to the Latest Practicable Date, the highest loan-to-value ratio of our margin accounts was approximately 180% (in that case, the loan amount was only approximately HK\$60,000).

As at the Latest Practicable Date, the aggregate outstanding margin loan amount of the Exempted Accounts was approximately HK\$0.7 million, which were secured by stocks listed on GEM and Main Board (which were stocks other than HSI constituent stocks) with margin ratios ranging from 0% to 50%.

During the Track Record Period, we had 21 margin accounts which exceeded the maximum loan-to-value ratio of 80% or 90% (our maximum loan-to-value ratio was set at 90% during April to September 2018), including 10 Exempted Accounts and 11 Small Loan Accounts (as defined below).

During the Track Record Period and up to the Latest Practicable Date, excluding the Exempted Accounts, the typical loan-to-value ratio of the remaining margin accounts ranged from approximately 0.003% to 137.3%. For such remaining margin accounts with a loan-to-value ratio of above 80% or 90% (our maximum loan-to-value ratio was set at 90% during April to September 2018), each of the relevant loan amounts was below HK\$100,000 (the “**Small Loan Accounts**”). We did not liquidate the securities of such margin accounts because we considered the risk exposure was acceptable given the relatively immaterial amounts involved. During the Track Record Period and up to the Latest Practicable Date, our maximum exposure in respect of the margin accounts other than the Exempted Accounts in excess of the then prevailing maximum loan-to-value ratio (i.e. 80% or 90% as the case maybe) was approximately HK\$10,000. During the Track Record Period and up to the Latest Practicable Date, excluding the Exempted Accounts, the typical loan-to-margin ratio of the remaining margin accounts ranged from approximately 0.03% to 1,128.7%, which was generally in line with the typical range of loan-to-value ratio disclosed above as the lowest margin ratio for marginable collaterals was 10%. During the Track Record Period and up to the Latest Practicable Date, our maximum exposure in excess of the marginable value (i.e. the margin ratio times the market value of the collaterals, representing the amount of borrowing that can be obtained from the collaterals) of the collaterals (i.e. loan-to-margin ratio in excess of 100%) was less than HK\$1.0 million. Given the maximum exposure in respect of the loan amounts in excess of the pre-set loan-to-value ratio and marginable value was relatively immaterial, we considered we were able to strike a balance between our risk exposure and return during the Track Record Period up to the Latest Practicable Date.

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During the start-up period of our margin financing business, we had adopted a more flexible risk management approach and credit policy in order to capture market awareness and establish and maintain client relationship and, thus, we granted approvals for the Exempted Accounts and decided not to liquidate the securities of the Small Loan Accounts as discussed above. We closely monitored the outstanding loan amount, the market value and the marginable value of the securities in each Exempted Account and adopted the risk management measures on the Exempted Accounts as discussed above. We also monitored the aggregate risk exposure of other remaining accounts on a daily basis and assessed our overall risk exposure and return by considering the total outstanding loan amounts, our available financial resources and market risk.

We revisit our credit control policy from time to time, and, in September 2018, we assessed and reviewed the Exempted Accounts and considered to strengthen the margin call notice to the Exempted Accounts and other remaining accounts so as to lower their loan-to-value ratio considering the market conditions. Subsequent to the Track Record Period and up to the Latest Practicable Date, the loan-to-value ratio was below 80% at all times and the typical loan-to-margin ratio was below 100% at material times.

For the period from our first transaction for margin financing business in March 2018 up to 31 March 2019, the highest and lowest month end balance of outstanding margin loan amount was approximately HK\$5.5 million and HK\$0.3 million, respectively. As at 31 March 2018 and 31 March 2019, the market value of securities pledged by our clients as collaterals amounted to approximately HK\$0.9 million and HK\$1.7 million, respectively. The table below sets out the monthly average balance, highest balance, lowest balance and month-end balance of outstanding margin loan amount of our Group and month-end market value of pledged collaterals since March 2018 up to the end of the Track Record Period.

Month (approx. HK\$'000)	2018										2019		
	March	April	May	June	July	August	September	October	November	December	January	February	March
Monthly average	251	363	273	910	4,404	5,367	5,323	3,142	3,118	3,466	3,584	6,198	2,615
Monthly lowest	—	222	263	257	3,519	4,522	3,824	2,911	2,650	3,062	2,836	1,325	673
Monthly highest	567	588	283	3,806	6,037	8,720	6,164	3,824	4,752	4,742	5,266	8,200	3,638
Month-end balance	567	283	270	3,663	4,574	5,512	3,824	3,157	4,742	3,086	5,266	3,456	673
Month-end market value of collaterals	904	701	578	5,751	6,880	7,849	14,011	6,210	14,964	6,355	22,622	17,544	1,727

As at the Latest Practicable Date, the outstanding balance of our margin loans amounted to approximately HK\$4.2 million and the market value and marginable value of securities pledged by our clients as collaterals amounted to approximately HK\$27.4 million and HK\$9.7 million, respectively, representing a loan-to-value ratio and a loan-to-margin ratio of approximately 15.3% and 43.3%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not prohibited any securities trading accounts from making further purchase of securities nor liquidated any securities trading account and we did not record any loss resulting from default of margin loans from our clients.

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IPO financing

We provide IPO financing to clients for subscription of shares offered under the public tranche of IPOs. During the Track Record Period, we had provided IPO financing to our clients of approximately HK\$25.6 million in aggregate for nine IPOs. As at the Latest Practicable Date, we had no outstanding loan balance due from our clients in relation to IPO financing.

For the three years ended 31 March 2019, the interest income generated from our IPO financing business amounted to nil, nil and approximately HK\$10,000, respectively.

During the Track Record Period and up to the Latest Practicable Date, we provided securities financing to our clients mainly through our internal resources and did not have any financing facilities from any Authorised Institution for our securities financing business.

Pricing policy

Margin loans will be charged at an interest rate determined by the credit committee from time to time. Such rate will be published in the statement of accounts to clients. As at the Latest Practicable Date, it is our policy that minimum margin loan interest rate is set at Prime Rate + 3%. Prime Rate is based on the Hong Kong Dollar Prime Rate as quoted by the Bank of China (Hong Kong) Limited. Any change of the aforesaid minimum margin loan interest rate needs to be approved by the designated approval committee comprising all directors and shareholders of Lego Securities (an approval will only be granted if the majority of the members of the designated approval committee agrees on the proposal, and an approval will not be granted in the case of an equality of votes). In the event the margin loan interest rate granted is lower than the aforesaid minimum margin loan interest rate, approval from the designated approval committee is required. The interest rate on the IPO financing is determined on a case-by-case basis with reference to, among other things, the market conditions and demand of the relevant securities. During the Track Record Period, the interest rates we charged on the outstanding loans to our clients for subscribing shares offered under the public tranche of IPOs was up to 2.5% per annum. The duration of the IPO financing loans ranged from six to 12 days during the Track Record Period. To promote our business, we did not charge most of our clients interest for IPO financing during the start-up stage of the business. We had started to charge interest on IPO financing since the end of October 2018, subject to the size of the loan amount (for instance, we did not charge interest on IPO financing with a loan amount below HK\$50,000) and other circumstances which we consider appropriate for the promotion of our business.

Credit control policy

We have a credit committee which consists of all directors, all Responsible Officers and the accountant of Lego Securities. Our credit committee is responsible for (i) reviewing the margin policy from time to time and submitting to the designated approval committee for approval; (ii) authorising the credit limit for each margin client up to the maximum credit limit in accordance with the margin policy; (iii) seeking the approval of the designated approval committee on clients requesting a higher credit limit above the maximum credit limit threshold stipulated by the margin policy; (iv) reviewing the list of eligible securities acceptable as collateral and margin ratios from time to time and recommending to the designated approval committee to amend the margin policy in light of market changes; (v) recommending to the designated approval committee if changes are

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warranted with respect to collateral concentration risk policy and margin loan counterparty risk policy due to the changes in market conditions; and (vi) managing the ongoing credit risk. For any proposal, an approval will be granted if the majority of the members of credit committee agrees on the proposal, and an approval will not be granted in the case of an equality of votes.

We maintain a margin policy which includes a money lending and margin call policy to guide us in managing the credit risk and balancing the risk and return relationship in operating our securities financing business. The policy (i) provides approval procedures and approval authority within Lego Securities in respect of granting credit limit to clients, interest rate offered to clients, acceptable securities as collateral and the respective margin ratio and exposure to concentration on single stock as collateral and loan to single client, and (ii) sets out the margin monitoring, margin call procedures and forced liquidation procedures.

We have clear procedures on issuing margin calls. If the outstanding margin loan granted to the relevant client is more than the marginable value of the collateral provided by that client, we will issue a margin call and request that client to fulfil it with a prescribed time limit by depositing additional funds to the respective margin accounts, closing out the securities and/or pledging additional collateral to top up the market value of pledged securities to reach the approved margin ratio. If our client fails to do that, we may exercise the right to force-sell the collaterals without clients' consent in accordance with the terms of the client agreement. We may defer the mandatory liquidation process after assessment on the recent performance of the collateral (such as its liquidity and price), the transaction history and credibility of the client, the prevailing market conditions, the potential impact of mandatory liquidation on the market price of the collateral and any potential loss that may arise from such exercise, balanced against the recoverability of the margin loans, and considering, whether any additional collateral or financial comfort or further security could be made available to us. In such case, we will closely monitor the positions of the collaterals held by such client, request for additional collateral of sufficient value or new deposits to cover the shortfall, realise the collateral or take debt collection action as last resort.

We enter into a written margin client agreement with the client before providing any margin financing. The agreement specifies that the account is a margin account and sets out our margin call procedures.

We adopt a general policy to control the aggregate of any outstanding bank borrowings, overdrafts and advances of our Group, if any, secured by the pledging or deposit of securities collateral belonging to margin clients. It is our policy that the amount of such bank borrowings, overdrafts and advances of our Group should not exceed 120% of the value of aggregate outstanding margin loans. During the Track Record Period, we did not repledge securities collateral to any Authorised Institution for obtaining financing facilities for margin financing.

During the Track Record Period, we did not record any loss resulting from default of margin loans from our clients.

(v) Asset management services

We provide investment advisory and asset management services through Lego Asset Management. As at the Latest Practicable Date, our asset management team consisted of two Responsible Officers, three Licensed Representatives and two other staff members.

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Asset management service

On 1 March 2019, Lego Asset Management (Cayman) entered into an investment management agreement with Lego Funds SPC, for and on behalf of Lego Vision Fund SP. Lego Funds SPC was incorporated as a segregated portfolio company with the principal objective to carry on business as a mutual fund company. Lego Vision Fund SP is a segregated portfolio of Lego Funds SPC. Pursuant to the investment management agreement, Lego Funds SPC for and on behalf of Lego Vision Fund SP has appointed Lego Asset Management (Cayman) to provide Lego Vision Fund SP with investment management services to invest and re-invest the assets of Lego Funds SPC held for the account of Lego Vision Fund SP and to be responsible for the day-to-day investment activities of Lego Funds SPC and in order to achieve the investment objectives of Lego Funds SPC.

On 1 March 2019, Lego Asset Management (Cayman) and Lego Asset Management entered into an investment advisory agreement, pursuant to which Lego Asset Management (Cayman) appointed Lego Asset Management as an investment adviser to provide investment advice in connection with the investment and reinvestment of the assets of Lego Funds SPC in order to assist in the implementation of the investment objective of Lego Vision Fund SP.

As at 31 August 2019, the AUM of Lego Vision Fund SP was approximately US\$3.5 million (equivalent to approximately HK\$27.2 million). The net asset value per share of Lego Funds SPC in respect of Lego Vision Fund SP decreased from US\$100 (equivalent to approximately HK\$778.0) on 1 April 2019, being the launch date of Lego Vision Fund SP, to approximately US\$98.3 (equivalent to approximately HK\$764.8) on 31 August 2019, representing a negative return of approximately 1.7%.

Details of Lego Vision Fund SP are set out below:

Fund name:	Lego Funds SPC
Segregated portfolio:	Lego Vision Fund SP
Place of incorporation:	Cayman Islands
Fund type:	Open-ended, multi-class
Investment objective:	To achieve long-term capital growth through investment in equity and fixed income securities while minimising volatility of the portfolio
Investment strategy:	To invest in a portfolio consisting primarily of equities, bonds and other securities of companies in promising industries with excellent management, business model, products and sound financials for the long-term sustainable growth. Each company must go through stringent due diligence, research and analysis, including site visit, management meeting, industry research and financial analysis.

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The segregated portfolio will primarily invest in Greater China and the U.S. markets, but may also invest in other markets where opportunities can be identified.

Target investors: High net worth investors

Launch date: 1 April 2019

Initial AUM: Approximately US\$2.6 million (equivalent to approximately HK\$20.2 million)

Our Group has invested seed money of US\$1.5 million (equivalent to approximately HK\$11.7 million) into Lego Vision Fund SP.

Investment manager: Lego Asset Management (Cayman)

Management fee: Class A: 1% per annum
Class B: 2% per annum
Class C: 2% per annum

Calculated on the basis of the net asset value of Lego Vision Fund SP as at each valuation day, which shall accrue daily and payable monthly in arrears

Performance fee: Class A: 10%
Class B: 20%
Class C: 20%

Calculated on the positive increment in the net asset value of each share of Lego Vision Fund SP over the High Water Mark in respect of each performance period, being a period of three months ending on the last business day of March, June, September and December of each calendar year or the date on which the shares of Lego Vision Fund SP are redeemed and payable in arrears within 30 days of the end of such period

On 4 June 2019, Lego Asset Management (Cayman) entered into an investment management agreement with Lego Funds SPC, for and on behalf of Lego China Special Opportunities Fund SP. Lego China Special Opportunities Fund SP is a segregated portfolio of Lego Funds SPC. Pursuant to the investment management agreement, Lego Funds SPC for and on behalf of Lego China Special Opportunities Fund SP has appointed Lego Asset Management (Cayman) to provide Lego China Special Opportunities Fund SP with investment management services to invest and re-invest the assets of Lego Funds SPC held for the account of Lego China Special Opportunities Fund SP and to be responsible for the day-to-day investment activities of Lego Funds SPC and in order to achieve the investment objectives of Lego Funds SPC.

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On 5 June 2019, Lego Asset Management (Cayman) and Lego Asset Management entered into an investment advisory agreement, pursuant to which Lego Asset Management (Cayman) appointed Lego Asset Management as an investment adviser to provide investment advice in connection with the investment and reinvestment of the assets of Lego Funds SPC in order to assist in the implementation of the investment objective of Lego China Special Opportunities Fund SP.

As at 31 August 2019, the AUM of Lego China Special Opportunities Fund SP was approximately US\$0.5 million (equivalent to approximately HK\$3.9 million). The net asset value per share of Lego Funds SPC in respect of Lego China Special Opportunities Fund SP decreased from US\$100 (equivalent to approximately HK\$778.0) on 24 June 2019, being the launch date of Lego China Special Opportunities Fund SP, to approximately US\$97.0 (equivalent to approximately HK\$754.7) on 31 August 2019, representing a negative return of approximately 3.0%.

Details of Lego China Special Opportunities Fund SP are set out below:

Fund name:	Lego Funds SPC
Segregated portfolio:	Lego China Special Opportunities Fund SP
Place of incorporation:	Cayman Islands
Fund type:	Open-ended, single-class
Investment objective:	To achieve long-term capital growth through investment in China A-Shares (i.e. shares denominated in RMB issued by companies incorporated in China and listed on the Shanghai Stock Exchange and/or Shenzhen Stock Exchange) as well as listed securities and other permitted PRC's financial instruments, namely shares and bonds listed on the stock exchange(s) in the PRC.
Investment strategy:	<p>To identify quality companies to invest in for long-term investment, with focus on the quality of management, the strength of the franchise, the structure of balance sheet, the long-term growth prospects of the company and the market valuation accorded to the business.</p> <p>The segregated portfolio will primarily invest in certain eligible China A-Shares via the Shanghai-Hong Kong Connect and the Shenzhen-Hong Kong Connect.</p>
Target investors:	High net worth investors
Launch date:	24 June 2019
Initial AUM:	Approximately US\$0.5 million (equivalent to approximately HK\$3.9 million)
Investment manager:	Lego Asset Management (Cayman)

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Management fee: 2% per annum

Calculated on the basis of the net asset value of Lego China Special Opportunities Fund SP as at each valuation day, which shall accrue daily and payable monthly in arrears

Performance fee: 20%

Calculated on the positive increment in the net asset value of each share of Lego China Special Opportunities Fund SP over the High Water Mark in respect of each performance period, being a period of three months ending on the last business day of March, June, September and December of each calendar year or the date on which the shares of Lego China Special Opportunities Fund SP are redeemed and payable in arrears within 30 days of the end of such period

Mr. Choy Kwong Wa Christopher is the chief investment officer of Lego Asset Management. Mr. Choy is also a director of Lego Asset Management (Cayman) and Lego Funds SPC. He has accumulated over 25 years of experience in the asset management and investment industry, during which he managed client portfolio and provided investment advice. See “Directors and Senior Management — Senior management” for details of Mr. Choy’s biography.

Investment advisory service

We may also provide general investment advisory service for professional investors. We will charge our clients an agreed-upon investment advisory fee based on the value of assets under the securities portfolio of the clients.

Risk management policy

Lego Asset Management has set up an investment committee comprising Responsible Officers and board of directors of Lego Asset Management with the objective of overseeing the investment management strategies and key investment policies used in managing the investment portfolios of the funds and discretionary accounts. The investment committee is also responsible for ensuring that client assets are well managed within appropriate risk boundaries and the portfolios would meet the long-term performance objectives of Lego Asset Management.

CLIENTS

The clients of our corporate finance advisory business and underwriting business mainly comprise listing applicants and listed companies in Hong Kong and their respective shareholders, as well as private companies and investors. The clients of our securities dealing and brokerage business and securities financing business include corporate, professional and retail investors. The clients of our asset management business are professional investors.

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Top five clients

For the three years ended 31 March 2019, revenue generated from our top five clients, in aggregate, accounted for approximately 40.8%, 41.4% and 45.9% of our total revenue, respectively. For the same periods, revenue from our largest client accounted for approximately 14.2%, 14.7% and 14.0% of our total revenue, respectively. Many corporate finance advisory projects from our top five clients for the Track Record Period were one-off in nature. Due to the one-off nature of many of our projects, our largest clients' contribution to revenue tends to vary from year to year.

The tables below set out the revenue generated from our top five clients, their background, our services provided and the length of business relationships with us for the three years ended 31 March 2019.

Year ended 31 March 2017

Rank	Client	Background	Services provided during the relevant year	Revenue recognised <i>HK\$ million (Approx.)</i>	% of total revenue <i>% (Approx.)</i>	Length of business relationship ⁽¹⁾
1	Customer Group A ⁽²⁾	Individual customer	<ul style="list-style-type: none"> • Financial advisory service to advise the controlling shareholders of a listed company in relation to a takeover transaction of such listed company 	11.2	14.2	Since February 2016
2	Customer B	Individual customer	<ul style="list-style-type: none"> • Financial advisory service to advise the controlling shareholders of a listed company in relation to a takeover transaction of such listed company 	7.0	8.9	Since February 2016
3	Customer C	Logistics service provider	<ul style="list-style-type: none"> • IPO sponsorship service • Compliance advisory service 	5.2	6.6	Since January 2016
4	Customer D	Shipbuilder and ship repairer	<ul style="list-style-type: none"> • Financial advisory service to advise a listed company in relation to its resumption proposal • Compliance advisory service 	4.5	5.7	Since January 2016
5	Customer E	Payment service provider	<ul style="list-style-type: none"> • IPO sponsorship service • General financial advisory service • Compliance advisory service 	4.2	5.4	Since February 2016
Total revenue from our top five clients:				32.1	40.8	

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Year ended 31 March 2018

<u>Rank</u>	<u>Client</u>	<u>Background</u>	<u>Services provided during the relevant year</u>	<u>Revenue recognised</u>	<u>% of total revenue</u>	<u>Length of business relationship⁽¹⁾</u>
				<i>HK\$ million (Approx.)</i>	<i>% (Approx.)</i>	
1	Customer F	Individual customer	<ul style="list-style-type: none"> ● Financial advisory service to advise the controlling shareholder of a listed company in relation to a takeover transaction of such listed company 	15.4	14.7	Since May 2017
2	Customer G	Food and beverage company	<ul style="list-style-type: none"> ● IPO sponsorship service ● Underwriting service ● Compliance advisory service ● Securities dealing and brokerage service 	8.9	8.5	Since May 2017
3	Customer H	Lingerie product retailer	<ul style="list-style-type: none"> ● IPO sponsorship service ● Underwriting service ● Compliance advisory service ● General financial advisory service 	8.0	7.6	Since January 2016
4	Customer I	Network product manufacturer	<ul style="list-style-type: none"> ● IPO sponsorship service ● Underwriting service ● Compliance advisory service 	5.6	5.4	Since January 2016
5	Customer J	Telecommunications product manufacturer	<ul style="list-style-type: none"> ● IPO sponsorship service ● Compliance advisory service 	5.4	5.2	Since April 2017
Total revenue from our top five clients:				<u>43.3</u>	<u>41.4</u>	

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Year ended 31 March 2019

Rank	Client	Background	Services provided during the relevant period	Revenue recognised <i>HK\$ million (unaudited) (Approx.)</i>	% of total revenue <i>(Approx.)</i>	Length of business relationship ⁽¹⁾
1	Customer K	Energy technology company	<ul style="list-style-type: none"> ● Financial advisory service provided to a listed company in relation to due diligence work for its resumption application 	16.6	14.0	Since December 2017
2	Customer L	Travel business company	<ul style="list-style-type: none"> ● IPO sponsorship service ● Underwriting service ● Compliance advisory service 	15.4	13.0	Since April 2017
3	Customer O	Leisure food retailer	<ul style="list-style-type: none"> ● IPO sponsorship service ● Underwriting service ● Compliance advisory service 	10.7	9.0	Since August 2017
4	Customer M	Restaurant operator	<ul style="list-style-type: none"> ● IPO sponsorship service ● Underwriting service ● Compliance advisory service 	7.6	6.4	Since October 2017
5	Customer G	Food and beverage company	<ul style="list-style-type: none"> ● Compliance advisory service ● Financial advisory service to advise a listed company in relation to certain proposed corporate transactions ● Securities dealing and brokerage service 	4.1	3.5	Since May 2017
Total revenue from our top five clients:				<u>54.4</u>	<u>45.9</u>	

- (1) The length of business relationship with the client is determined by the date of mandate entered into with the client.
- (2) Customer Group A comprised Customer A and his majority-owned investment holding company at the relevant time and the relevant mandate was jointly signed by them.

To the best knowledge of our Directors, none of our Directors, chief executives, or any person who owns more than 5% of the issued share capital of our Company or any of its subsidiaries, or any of their respective close associates, has had or has any interest in any of our top five clients during the Track Record Period. All of our top five clients during the Track Record Period are Independent Third Parties.

SALES AND MARKETING

For our corporate finance advisory services and underwriting services, the sales and marketing function is performed by our corporate finance execution team and our ECM team, headed by our Responsible Officers who are responsible for maintaining good relationship with the management of

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listed companies and other business partners in the financial services industry. Our projects generally originate from the networks of our Responsible Officers and our corporate finance advisory execution team, referrals from existing clients or other professional parties and direct approaches by clients due to our market reputation or previous business relationships. We also sponsor congratulatory advertisements on newspapers for listing exercises upon completion of our IPO sponsorship and/or underwriting projects. We maintain a company website which showcases our completed projects.

For securities dealing and brokerage services and securities financing services, our sales team is responsible for sourcing new clients, maintaining client relationships, promoting our services and handling clients' enquiries under the supervision of our Responsible Officers.

For asset management services, the sales and marketing function is performed by our asset management team, headed by our Responsible Officers who are responsible for sourcing investors and maintaining relationships. We will only sell to professional investors which the source of new investors will generally be through referrals and fund distributors.

SUPPLIERS

Due to the nature of our principal business activities, we have no major suppliers.

During the Track Record Period, we paid referral fees to certain individuals and entities, all of which were Independent Third Parties, for referring clients to us for our corporate finance advisory services. Such referral fee amounted to approximately HK\$0.3 million, nil and approximately HK\$0.1 million for the three years ended 31 March 2019.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development.

LICENCE AND REGULATIONS

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing our business are the SFC and the Stock Exchange. Our principal business and our responsible personnel are subject to a number of legislations and regulations and the respective rules of the SFC, the Stock Exchange and, upon the Listing, the Listing Rules. In particular, we are required to be licensed with the SFC and be admitted as a Stock Exchange Participant to carry on our business.

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Licences, certificates and participantships for carrying regulated activities under the SFO

As at the Latest Practicable Date, we held the following licences, certificates and participantships to carry on our businesses.

Licence/certificate holder	Licence/certificate/participantship	Date of issue/ admission
Lego Corporate Finance	Licence under the SFO to carry on Type 6 (advising on corporate finance) regulated activity ⁽¹⁾	13 January 2016
	Admission as sponsor	13 January 2016
Lego Securities	Licence under the SFO to carry on Type 1 (dealing in securities) regulated activity	19 January 2017
	Stock Exchange Participant Certificate	23 March 2017
	CCASS Direct Clearing Participantship	23 March 2017
Lego Asset Management	Licences under the SFO to carry on Type 4 (advising on securities) regulated activity ⁽²⁾	1 March 2019
	Licence under the SFO to carry on Type 9 (asset management) regulated activity ⁽²⁾	1 March 2019

(1) As at the Latest Practicable Date, Lego Corporate Finance was subject to a licensing condition that it as a licensee shall not hold client assets.

(2) As at the Latest Practicable Date, Lego Asset Management was subject to the licensing conditions that it as a licensee (i) shall not hold client assets; and (ii) shall only provide services to professional investors.

The above licences, certificates and participantships of our Group have no expiry date and remain in force until suspended or revoked, subject to certain continuing obligations, such as payment of annual fee and submission of annual return.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, permits and certificates necessary to conduct our operations as set out in this prospectus and we had complied with all applicable laws, regulations, rules, codes and guidelines in Hong Kong in connection with the business and operation of our Group in all material respects.

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Responsible Officers and Licensed Representatives

All staff currently performing regulated activities are properly registered under the SFO as either Responsible Officers or Licensed Representatives. As at the Latest Practicable Date, we had a total of 15 Responsible Officers and 33 Licensed Representatives^{(1),(3)}. The table below sets out the number of our Responsible Officers and Licensed Representatives as at the Latest Practicable Date.

<u>Regulated activities</u>	<u>Number of Responsible Officers</u>	<u>Number of Licensed Representatives</u>
Type 1 (dealing in securities)	3	11 ^{(1),(3)}
Type 4 (advising on securities)	2 ^{(2),(3)}	3 ^{(2),(3)}
Type 6 (advising on corporate finance)	10 ⁽¹⁾	20
Type 9 (asset management)	2 ^{(2),(3)}	3 ^{(2),(3)}

(1) Two Responsible Officers for Type 6 (advising on corporate finance) are also the Licensed Representatives for Type 1 (dealing in securities).

(2) These persons hold both Type 4 (advising on securities) and Type 9 (asset management) licences.

(3) One Responsible Officer and one Licensed Representative for Type 4 (advising on securities) and Type 9 (asset management) are also the Licensed Representatives for Type 1 (dealing in securities).

The table below sets out our Responsible Officers for each of the regulated activities approved by the SFC as at the Latest Practicable Date.

<u>Regulated activities</u>	<u>Responsible Officers</u>
Type 1 (dealing in securities)	Mr. Law Ka Lin, Louies Mr. Li Wing Chung Mr. Lui Sung Hing
Type 4 (advising on securities)	Mr. Choy Kwong Wa, Christopher Mr. Leung Ho Pong, Ronald

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Regulated activities

Responsible Officers

Type 6 (advising on corporate finance)

Ms. Chow Pui Kwan
Mr. Fong Kam Hung
Ms. Ho Sze Man, Kristie*
Mr. Lau Wan Ki*
Mr. Liu Chi Wai*
Mr. Ma Ching Yan
Mr. Mui Ho Cheung, Gary*
Mr. Ng Siu Hin, Stanley*
Mr. Sung Pui Yu
Mr. Tang Chun Fai, Billy

Type 9 (asset management)

Mr. Choy Kwong Wa, Christopher
Mr. Leung Ho Pong, Ronald

* Sponsor principal

RECENT REGULATORY REGIME CONCERNING “SHELL ACTIVITIES”

The corporate finance service industry is highly regulated. Both the Stock Exchange and the SFC have recently published guidance letters and statement advocating the heightened review of listing applications and closer scrutiny on backdoor listing, in an effort to crackdown on “shell activities”.

In April 2018, the Stock Exchange updated the Guidance Letter HKEX-GL68-13A on IPO vetting and suitability for listing, setting out additional guidance on its qualitative assessment on new listing applicants’ suitability for listing on the Stock Exchange, which involves factors of (i) whether a listing of the applicant is consistent with its business strategy; (ii) the specific use of proceeds in relation to the applicant’s past and future business development; (iii) whether the listing applicant has genuine funding need; (iv) whether there is a commercial rationale for its listing; and (v) whether the listing applicant is likely to invite speculative trading upon listing or to be acquired for its listing status. In March 2019, the Listing Decision HKEX-LD121-2019 was published, which showed a marked increase of 24 rejected listing applications in 2018, as compared to just three rejected listing applications in 2017.

On 26 July 2019, the SFC published a statement on its approach to backdoor listings and “shell activities”, emphasising its statutory powers and readiness to take action against the relevant persons under the Stock Market Listing Rules, by objecting to listing applications and/or directing the Stock Exchange to suspend trading in shares of listed companies. Pursuant to the said statement, in deciding whether to exercise its power of investigation under the SFO or the Stock Market Listing Rules in cases involving backdoor listings and “shell activities”, it will consider any red flag (i) indicating a possible scheme designed to mislead regulators and/or the investing public or to circumvent applicable rules; or (ii) suggesting that other forms of serious misconduct have been or will be committed.

See “Regulatory Overview — Recent development of the regulatory regime in respect of suitability for listing of new listing applicants, backdoor listings and continuing listing criteria” for details of the recent development of the aforesaid regulatory regime.

FRR

All licensed corporations are required under section 145 of the SFO to have a minimum level of paid-up share capital and liquid capital in respect of the regulated activities for which the application for licence is made and to maintain at all times such minimum level paid-up share capital and liquid capital. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, all licensed corporations under our Group maintained the requisite paid-up share capital and liquid capital under the FRR.

For details of the relevant laws and regulations regarding our licences, certificates and participations and details on our compliance with the FRR, see “Regulatory Overview”.

COMPETITION

The financial service industry in Hong Kong is highly competitive with a large number of participants in the market. For details of the competitive landscape of the financial service industry in Hong Kong and the market drivers, see “Industry Overview”. We have to compete effectively over competitors in terms of capital resources, pricing, client base, service coverage and quality, talents and brand recognition. Our competitors may have stronger capital resources, greater brand recognition in the market, more human resources, a wider range of services and longer operating histories than that of us. Apart from large multinational financial institutions, we also face competition from newly established local small and medium-sized financial services firms which offer similar range of services. Despite keen competition, we believe that our core competitive advantages, sound business planning and the contributions of our senior management as more particularly set out in “— Competitive strengths” and “— Business strategies” have allowed us to rapidly stand out as a reputable financial services provider.

Corporate finance advisory services and underwriting services

As at 30 June 2019, there were 333 licensed corporations and 35 registered institutions licensed to carry on Type 6 (advising on corporate finance) regulated activity, 1,397 licensed corporations and 115 registered institutions licensed to carry on Type 1 (dealing in securities) regulated activity in Hong Kong. With the increasing number of listed companies in Hong Kong, equity fund raising on the Stock Exchange, either through IPOs or in the secondary market, has been substantial. IPOs have been a main source of equity funding. While the market is active, competition in the underwriting business in Hong Kong is intense because of the relatively large number of market players.

We face keen competition in provision of corporate finance advisory services and underwriting services in Hong Kong. Our Directors believe that competition in this market is primarily based on quality and scope of services, market reputation, business network, pricing, human and financial resources. According to Hong Kong Involvement Mid-Market Rankings (undisclosed values and values up to US\$500 million) — League table for financial advisers based on number of deals for 2018 issued by Thomson Reuters, Lego Corporate Finance ranked number three.

We also face competition in attracting and retaining talent. The competition among financial service providers for Responsible Officers and sponsor principals is very intense. Our ability to continue to compete effectively will depend on our ability to retain and motivate our existing workforce and attract new talents.

Securities dealing and brokerage services

The securities dealing and brokerage business in Hong Kong is dominated as to around 55.7% of the market share in terms of turnover by the top 14 firms (Stock Exchange Participants under Category A), and as to around 35.7% of the market share in terms of turnover by the top 15 to 65 firms (Stock Exchange Participants under Category B) for the year ended 31 December 2018. We, as the Stock Exchange Participants under Category C, compete with the remaining securities firm in the stock market for around 8.7% market share in terms of turnover for the year ended 31 December 2018.

In recent years, the advance of internet and mobile internet technologies has stimulated the growth of online trading. Online brokerage is becoming increasingly popular amongst local investors in the securities market. It helps brokerage firms reduce cost and improve customer experience. Online trading offers investors benefits such as ease of dealing without the need to instruct brokers, greater control with real time trading, real time prices and advanced interface, and faster transactions. Online trading is generally considerably less expensive than trading through offline brokers. The average commission rate of brokers who take telephone orders from clients is expected to experience a downward pressure, as a result of the rise of online brokerage services which charge lower commission rate.

Hong Kong securities dealing market has become very competitive with over 830 active Stock Exchange Participants for the first half of 2019. To better meet various clients' demands and compete for greater market share, besides traditional brokerage services, brokers are expected to provide more value-added services, including securities consultation services and asset portfolio analysis to enhance their competitiveness.

The expected decreasing trend of commission rate is also attributable to the need of offering favourable brokerage charges to clients due to the keen competition in the market. To compete with securities brokers offering low or zero commission rates, we intend to strengthen our securities financing business upon the Listing to facilitate our clients to purchase securities on margin basis, and our clients are generally required to trade through their accounts with us when utilising our securities financing services. This will broaden our revenue sources and attract and/or retain our clients to utilise our securities trading services.

Securities financing services

According to Financial Review of the Securities Industry published by SFC, the total number of securities dealers and securities margin financiers in Hong Kong increased from 951 as at 31 December 2014 to 1,312 as at 31 December 2018, representing a CAGR of approximately 8.4%.

The number of active margin clients increased from 181,593 as at 31 December 2014 to 463,970 as at 31 December 2018, representing a CAGR of approximately 26.4%. Following the increase in the number of active margin clients, the amounts receivable from margin clients also showed a general upward trend and increased from approximately HK\$111.5 billion for the year ended 31 December 2014 to approximately HK\$180.8 billion for the year ended 31 December 2018, representing a CAGR of approximately 12.8%.

Asset management services

The number of licensed corporations licensed to carry on Type 9 (asset management) regulated activity grew by approximately 69.4% to 1,746 corporations as at 30 June 2019 from 1,031 as at 31 December 2014, surpassing the number of licensed corporations licensed for all other types of regulated activity. The number of responsible/approved officers licensed to carry on Type 9 (asset management) regulated activity also grew by approximately 71.9% to 4,300 as at 30 June 2019 from 2,501 as at 31 December 2014.

For details of the competition that our Group faces and will continue to face, see “Industry Overview”.

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

Our compliance department is responsible for establishing overall compliance system, assisting in formulating the appropriate internal control policies and monitoring our Group’s overall compliance with our internal control policies, operational guidelines and procedures, applicable regulatory requirements and reports in this regard to our Board from time to time. As at the Latest Practicable Date, our compliance department had three staff (including our head of compliance and two compliance officers).

Our compliance department periodically reviews our compliance policies and operational guidelines and procedures in compliance with the relevant laws and regulations and updates the relevant policies, guidelines and procedures if necessary. All functional departments are responsible for the implementation of the internal control policies and operational guidelines and procedures. Each of our operating subsidiaries has adopted its own compliance and procedures manual, which includes guidelines as set out in the SFO and Code of Conduct and is subject to periodic review or the purpose of enhancing internal control standards.

Our compliance department is also responsible for handling regulatory filings, licensing and compliance related applications and matters and liaising with the regulators in this regard.

Staff trainings are also organised regularly by our compliance department to update the professional knowledge and skills of licensed staff in corporate finance matters and market practice. Specific trainings on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities are also provided to our relevant staff. Records of attendance are kept by the compliance department.

Additionally, our Group has a specific compliance staff for each of Lego Corporate Finance and Lego Securities. The head of compliance of Lego Corporate Finance is responsible for overseeing the overall compliance system and decision-making and reporting in relation to compliance matters, in particular, she is required to submit annual compliance report to our senior management and attend regular meetings with our Responsible Officers for discussion on compliance matters. Whereas, the compliance staff of Lego Securities cooperates with our execution team on a regular basis, in particular the account opening process and focuses on the anti-money laundering issues and is required to submit annual compliance report to our senior management.

BUSINESS

In the event of opposing opinions among various responsible parties, a majority approval will be required. The subject matter will not be approved in the case of an equality of votes.

Key internal control areas

KYC

Our Directors confirm our KYC with clients is in compliance with the Code of Conduct, the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC and our internal policy for the prevention of money laundering terrorist financing policy as set out above. Knowing the true and full identity of each client including the identity of its beneficial owners is the first step that should be taken. It is important that we obtain at the outset information regarding our clients' background, financial situation, investment experience and investment objective and in case that the clients are corporations, the nature of their business, their shareholding structure and their controlling shareholders. The information should be well documented and kept in the file.

For our corporate finance advisory business, KYC is of utmost importance in discharging of our responsibilities and detailed due diligence is required to be carried out, details of which are set out in “— Our business activities — (i) Corporate finance advisory business — Operational procedures”.

For our securities dealing and brokerage business, our sales team, who are licensed persons, are required to take all reasonable steps to identify the clients' identities, financial background, investment experience and investment objectives. They also have to fully explain the account opening documents to clients. Written agreements must be entered into between us and the clients prior to providing any services to them. Where an account opening documents are not executed in the presences of our employees or AEs, the signing of the client agreement and sighting of the related identification documents must be certified and the certifier should also sign and date the copy documents. For high-risk account (e.g. the client is located or conducts business in a country which is a high-risk jurisdiction; or may pose a high money laundering or terrorist financing risk), specific senior management approval must be obtained for the account opening. Front-line staff have the primary responsibility in carrying out account opening procedures and completing due diligence on clients. The relevant Responsible Officers will cross check and review the accounting opening process. Assessment of account risk will also be conducted before accepting a new client based on the country risk, type of trading activities, type of clients and other factor, following which a risk level will be assigned to each client account and documented. The verification of identity or other outstanding documentation is required to be completed as soon as possible and no later than 30 workings days from the date of account opening, and the clients can trade through their accounts during this period if we are satisfied on reasonable grounds about the identity, address, contact details and instructions of the clients. If the identification document or other account opening documents cannot be obtained within 30 working days of opening account, the account will be suspended from trading. We will also assess whether the failure in completing the account opening with the timeframe provides grounds for knowledge or suspicion money laundering and consider making a suspicious transaction report to the JFIU.

For our asset management business, we are subject to a licensing condition that we shall only provide services to professional investors. As such, we are required to take reasonable steps to satisfy ourselves that the clients are professional investors.

Anti-money laundering and counter-terrorist financing

For the purpose of detecting and preventing money laundering and counter-terrorist financing activities, we have established a number of policies and procedures in compliance with relevant legal and regulatory requirements.

Licensed corporations are required to comply with the Hong Kong laws and the Anti-Money Laundering Guideline. With reference to the Anti-Money Laundering Guideline, our checking consists of four main components: (i) customer due diligence; (ii) ongoing monitoring; (iii) suspicious transaction reporting; and (iv) record keeping. Appropriate and adequate training on anti-money laundering and counter-terrorist financing are provided to our staff on an ongoing basis, ensuring they understand the appropriate policies and procedures in this area.

Customer due diligence

Our employees are required to identify and verify the identities of the beneficial owners of a securities trading account with reference to data or information provided by a reliable and independent source.

Our securities trading customers can be categorised into individual and corporate customers. For individual customers, we would inspect their original identification documents (e.g. ID cards or passports) and obtain a copy of the relevant documents to identify and verify their identities. For local corporate customers, we would obtain relevant information from the Hong Kong Companies Registry including the identity of shareholders and directors for verification. For offshore corporate customers, we would obtain their incorporation documents, memorandum and articles of association or equivalent constitutional documents, registers of members and directors and their board minutes.

Ongoing monitoring

We review documents, data and information relating to our customers from time to time and monitor activities of our customers and identify those transactions that are complex, large and unusual. A transaction is considered to be complex, large and unusual if (i) the transaction involves some sophisticated manipulation, which constitutes a series of transactions which are not commercially sensible; (ii) the ratio of the transaction amount to the net worth of the customer is abnormally high; or (iii) the customer's trading instructions deviate from his/her past trading pattern.

Our sales team and compliance department are responsible for the ongoing monitoring exercise. For high risk customers, we review the transaction movement to identify any abnormal transactions movement or third party payment once a month.

Suspicious transaction reporting

If any suspicious transaction is noted, our employees and sales team have to notify our compliance department. Once there are reasonable grounds to justify that the customers or transactions are suspicious, the money laundering reporting officer shall file reports to JFIU and other relevant regulatory bodies as soon as practicable.

BUSINESS

Record keeping

As JFIU needs to ensure a satisfactory audit trail for suspected laundered money and must be able to establish a financial profile of the suspect accounts, we record sufficient data and information to trace individual transactions and establish a financial profile of any suspicious account or customer. All records are kept for at least six years.

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

Chinese walls and conflicts of interest

As we are an integrated platform providing a wide range of financial and securities services, we recognise the importance of maintaining effective Chinese Walls to prevent flow of information that may be confidential or price sensitive between the corporate finance business and securities dealing and brokerage business, securities financing business and asset management business.

The components of our Chinese Walls include (i) physical separation of particular business groups (e.g. separation of office space where access to the office space of a business group is only allowed for the staff of that business group); (ii) physical and email separation between areas where particularly sensitive conflict of interest may exist (e.g. separation of network drives for different business groups); and (iii) policies and procedures that restrict our personnel from inappropriately sharing sensitive clients and counterparty information (e.g. the policy that confidential information must not be given to any person, whether within the relevant business group or not, who does not have a legitimate and lawful business need-to-know in order for the relevant business group to fulfil their obligations).

The Responsible Officers who possess inside information and confidential information are responsible for releasing necessary information to our staff on a strictly “need to know” basis. We implement the Chinese Walls system to reduce the risk of confidential or price sensitive information being misused or wrongly disclosed, which also prevents the spread of information between different departments of our Group. Our compliance department and our senior management personnel are responsible for ensuring effective Chinese Walls are well in place.

In the context of a proposed transaction, the assigned team leader for the proposed transaction is responsible for providing the compliance department with the names of transaction team members and other personnel who are brought “over the wall”. The compliance department will maintain a list of the “Over the Wall” personnel in the Chinese Wall log. The compliance manual contains guidelines on conflicts of interest and disclosure requirements. When being approached to act for a client or in a transaction which may give rise to any actual or potential conflicts of interest with our Group, our shareholders, members of our Board or staff who may be involved in the transaction, such conflicts of interest should be immediately disclosed for review as to whether we can act in the matter. If appropriate and where approval to act in writing is given by our Board, such approval should be placed on file as a record. All proper and reasonable steps must be taken to avoid conflicts of interest.

BUSINESS

Staff dealing

Policies and guidelines have been established regarding securities dealings by directors and staff to safeguard our standing in the market place and to maintain standards of conduct within our Group. No directors or staff of our Group is allowed to trade securities of companies to which our Group is providing corporate finance advisory services until termination or completion of the services or until our Group ceases to hold inside information (as the case may be).

All personal dealing accounts held by our staff outside our Group must be approved by directors of our subsidiaries and our compliance department and identified in our systems and records as a “staff account.” Pre-approval which is only valid for five trading days, is required for a trade in such personal dealing accounts. Annual declaration of these personal dealing accounts is required. Annual declaration will be circulated to all staff after the end of each year which must be completed, signed and returned to the compliance department within one month. Our compliance department is also responsible for monitoring all staff dealings on a daily basis to detect any irregularity and assess whether staff dealings are prejudicial to our interests and those of our clients.

As part of our internal control measures, the relevant securities are required to be recorded on a restricted list immediately after the transaction or engagement has been publicly announced, the engagement letter has been signed or we possess any material, non-public and price sensitive information relating to the securities of a particular company. The relevant securities should also be recorded on a watch list when inside information is obtained during the pre-engagement stage. The execution team is required to inform the compliance department when it is considered necessary to record the relevant securities on the watch list or restricted list. The restricted list will be updated and circulated by the compliance department to the relevant staff from time to time. The compliance department will maintain the watch list and decide the circulation scope.

Both restricted list and watch list are updated regularly and all staff are strictly prohibited to purchase and/or sell the listed securities where the relevant stock codes are in the restricted list to avoid conflict of interest and insider dealing. The staff of the compliance department and within the circulation scope of the watch list are prohibited to deal in all securities on the watch list. Our compliance department will also conduct internal surveillance (including review the relevant statements of the personal dealing accounts of the staff) from time to time to ensure that staff do not trade on any of the securities placed in the restricted list and watch list.

Although a particular trade or pattern of trades is not specifically prohibited, where our compliance officer(s) and senior management determine that the trade or pattern of trades violates the standards or requirements provided in our compliance manual, they may instruct our staff to refrain from effecting any such trade; to refrain from engaging in any such trading strategy; or to unwind any such position(s).

Insider dealing is also strictly prohibited. It is critical to prevent leakage of insider information to any person or party and a strict inside dealing policy is contained in the compliance manual. We also discourage and in extreme cases prohibit excessive speculating or trading.

FRR

We are required to maintain at all times the liquid capital which is not less than the minimum requirement as set out under the FRR. Our finance and accounts department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. The monthly financial returns of Lego Securities and the semi-annual financial returns of Lego Corporate Finance and Lego Asset Management are required to be submitted to our relevant Responsible Officers for review and approval before submission to the SFC no later than three weeks after each calendar month (in case of Lego Securities) or after the end of June and December (in case of Lego Corporate Finance and Lego Asset Management). Our finance and accounts department also conducts the liquid capital computation on a daily basis which is reviewed by our Responsible Officers to ensure that we are able to comply with the FRR requirement on an ongoing basis. During the Track Record Period, we did not have any material non-compliance with the minimum liquid capital requirement as set out by the SFC.

Credit risk management

We are exposed to credit risk during the course of carrying on our margin financing business. As part of our internal control measures, we have established a credit committee and maintained proper credit control policy in order to guide against unacceptable credit risks. See “— Our business activities — (iv) Securities financing services — Credit control policy” for further details.

Information and technology policy

Our computer system and information processing facilities are protected by firewalls and antivirus software to prevent and detect any potential threats by computer viruses and other malicious software. To ensure the safety and stability of the trading system and prevent system breakdown, we have implemented the following measures. Firstly, for hardware components of the trading system, there are backup components to ensure any hardware failure can be recovered within a short period of time. Secondly, the securities dealing and brokerage department is responsible for the close monitoring of the stability and performance of the trading system and, if any irregularities are detected, liaising with the computer system vendors for immediate rectification. Thirdly, any software or hardware changes or upgrade in the trading system will be tested during market rehearsal session before rollout. Fourthly, we have in place our policies on access control that all users’ access to the systems/servers has to be authorised by us. Password policies and standards are formalised to facilitate user authentication and access control. The log for the trading system being accessed by our clients would be recorded. If they enter a wrong password for five times or more and the online access to the account would be suspended until we receive a request from the client to lift the suspension.

In the event the trading system is disrupted or suspended, other than the restoration of backup files, contingency plans include (i) contacting other brokers to continue trading and the normal CCASS functions in the back-up centre provided by HKSCC; and (ii) notifying clients immediately that the trading system is disrupted or suspended and how it may affect the execution of the orders or transactions and informing them of the alternative means of communication of our responsible staff. Data backup policies and business contingency plan are in place to ensure continuity of our operation.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any major breakdown of information technology systems and there was no significant disruption to our operations due to any failure in the information technology systems.

Complaints received

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints from our clients about our Group or our employees.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there had not been any material non-compliance by us of the requirements under the SFO and guidelines provided by the SFC.

US FATCA Compliance

Lego Securities has made the application to register with the US Internal Revenue Service (“IRS”). In order to identify US accounts, clients of Lego Securities are required to complete the relevant FATCA forms at the time of account opening. Training and guidance are also provided to the sales team in respect of the relevant account opening procedures. As at the Latest Practicable Date, none of our existing client accounts were held by a U.S. tax-payer.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased from Independent Third Parties the following properties for our operations:

<u>Address</u>	<u>Use of property</u>	<u>Site area (sq.ft.)</u>	<u>Term of lease</u>
Room 1601, 16/F, China Building, 29 Queen’s Road Central, Central Hong Kong	Office	3,455	16 November 2018 to 15 November 2021
Room 301, 3/F, China Building, 29 Queen’s Road Central, Central Hong Kong	Office	3,213	1 April 2018 to 31 March 2021

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we were the registered owner of the domain names www.legogroup.hk and www.legosecurities.hk which were being used as our websites and we had registered the following trademark in Hong Kong:

<u>Trademark</u>	<u>Class</u>	<u>Trademark registration number</u>	<u>Validity period</u>	<u>Place of registration</u>	<u>Name of registered owner</u>
	35, 36, 41	304051944	20 February 2017 to 19 February 2027	Hong Kong	Our Company

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings with regard to, and we had not received notice of any claim of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we had maintained (i) the required insurance under the relevant approved master policy for an insured amount of no less than HK\$15,000,000 for Type 1 (dealing in securities) regulated activity; (ii) professional indemnity insurance for financial institutions against third party claims for wrongful act; (iii) employees' compensation insurance in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and (iv) hospital, surgical and clinical insurance for staff members as part of the employee benefits.

Our insurance does not cover certain types of risks, such as the risk in relation to the collectability of trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, as they are either uninsurable or it is not cost justifiable to insure against such risks.

For the three years ended 31 March 2019, we incurred total insurance expenses of approximately HK\$0.4 million, HK\$0.5 million and HK\$0.7 million, respectively.

As the major aspects of our operation have been covered by insurance, we believe that we have taken out sufficient insurance policies over our assets and employees which are customary policies and in line with industry practice. During the Track Record Period, we did not experience any material insurance claims.

EMPLOYEES

As at the Latest Practicable Date, we had 50 employees. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date.

Function	Number as at the Latest Practicable Date
Management	4
Corporate finance advisory services	24
Securities dealing, brokerage, financing and underwriting services	4
Asset management services	7
Compliance, human resource, account, finance, administration and information technology	11

BUSINESS

Compensation policies

The remuneration for our employees consists of monthly salary, which is determined based on, among other things, the employees' experience, qualification, position and responsibilities, and discretionary bonus which is determined at our management's sole discretion based on, among other things, the relevant employee's performance and our financial performance. The monthly salaries of our employees are assessed and reviewed annually to determine any salary adjustment is required.

When formulating the total compensation package of the executive Directors, senior management and top five highest paid employees of our Group, we have ensured and will continue to ensure our Group offers competitive remuneration package, including salary, bonus and benefits taking into consideration, among others, the market level of remuneration package offered by comparable companies of similar scale of operation, employee's performance and performance of our Group. We may also from time to time consider granting share options to our employees under the Share Option Scheme to reward them for their contributions to our Group. While some of the executive Directors, senior management and top five highest paid employees of our Group are also our Shareholders who may receive dividends that our Company may declare and pay from time to time before and after Listing, our Company did not and does not intend to take into account such dividend payment as part of their compensation package because they are only minority Shareholders, except for Mr. Mui who is the largest Controlling Shareholder. It is the intention of our Company and Mr. Mui that he will maintain his current level of remuneration (i.e. fixed salary) after Listing and instead will continue to receive dividend distributions subject to, among others, the financial performance, cash flow requirements, development plan and available distribution profit of our Group from time to time, in order to maximise Shareholders' value as a whole. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distribution profits for the corresponding financial year after Listing, subject to a number of factors as detailed in "Financial Information — Dividend". Our Group has no intention to make any material change in the salary level and basis for determining bonus of the executive Directors, senior management and top five highest paid employees of our Group after the implementation of the aforesaid dividend policy upon Listing.

We have maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes or labour disputes which has significant impact on our operations.

Our Responsible Officers and Licensed Representatives are required to take sufficient number of hours of continuous professional training in order to maintain their SFC licences to carry on the relevant regulated activities and to keep them updated on recent changes on market development and the regulatory regime.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We maintain medical insurance for our employees. We adopt policies and procedures regarding work safety and occupational health issues.

During the Track Record Period and up to the Latest Practicable Date, we did not incur any cost of compliance with applicable environmental protection and safety rules and regulations, as we do not generate industrial pollutants and did not raise any material safety issues due to nature of our business.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection, and work safety or any complaints from the employees, clients or the public in respect of work safety and health issues relating to our operations.

LITIGATION AND DISCIPLINARY ACTIONS

Litigation

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any legal proceedings, investigations, claims nor had we been aware of any pending or threatened litigation, arbitration or other claims which would have a material adverse impact on our operations, financial position and reputation.

Disciplinary actions

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) no disciplinary action has been taken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against any member of our Group, their respective directors or any of our Responsible Officers; and (ii) they were not aware of any investigations or potential disciplinary actions undertaken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against any member of our Group, their respective directors or any of our Responsible Officers.

COMPLIANCE

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), approximately 74.87% of the issued share capital of our Company will be owned by Lego Financial Group, which is a company owned by Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau as to approximately 90.38%, 3.74%, 3.74%, 1.07% and 1.07% respectively. In this regard, Lego Financial Group, Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau are a group of Controlling Shareholders. For the background of Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho and Ms. Lau, please refer to “Directors and Senior Management”.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and Capitalisation Issue (without taking into account the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

DISPOSAL OF LEGO FINANCE

Lego Finance is a company incorporated in Hong Kong as a limited liability company on 6 April 2017 and Mr. Mui was appointed as the sole director on the same day. Immediately prior to the Reorganisation, Lego Finance was a wholly-owned subsidiary of Lego Investment Holdings. At the relevant time, our senior management team considered that having a company with a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (“**Money Lenders Licence**”) would facilitate the development of our Group as a financial services provider with more diversified services, hence Lego Finance applied for a Money Lenders Licence in May 2018 with a business plan of providing loans, which included secured loans and property mortgage loans, to individual and corporate customers, and a projected loan portfolio of HK\$10 million (the “**Preliminary Business Plan**”). At the relevant time, Mr. Mui, with the assistance of a consultant, were proposed to be responsible for the management of Lego Finance. On 11 September 2018, Lego Finance was granted with a Money Lenders Licence. As at the Latest Practicable Date, Mr. Mui remained as the sole director of Lego Finance. Our Directors confirmed that Lego Finance did not come across any money lending business opportunity since the grant of a Money Lenders Licence on 11 September 2018 due to our senior management team having prioritised our limited management resources on the businesses where we have extensive knowledge and expertise, therefore Lego Finance had not commenced business prior to the Reorganisation.

As part of the Reorganisation, in order to focus on our resources and management effort on carrying out our core business, being the regulated activities under the SFO; and taking into account that Lego Finance had not commenced business prior to the Reorganisation, pursuant to a sale and purchase agreement dated 1 February 2019, Lego Investment Holdings transferred its entire shareholding interest in Lego Finance to Lego Financial Group at a consideration of HK\$1, which was determined with reference to the issued share capital of Lego Financial (the “**Disposal**”). Upon completion of the Disposal, our Group ceased to have any interest in Lego Finance.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors considered that the Disposal was beneficial to our Group as we would not be required to devote further capital and human resources to this non-core business and continue to focus our resources on carrying on regulated activities under the SFO. In particular, our Group has to reserve human and capital resources for the commencement of our new asset management business in 2019. Our Directors are of the view that there is clear business delineation between our Group and Lego Finance and there is no competition between our Group, Lego Finance and our Controlling Shareholders.

On 1 February 2019, Lego Corporate Finance and Lego Finance entered into a deed of occupation sharing (the “**Deed of Occupation Sharing**”), pursuant to which the parties agreed that Lego Finance would use and occupy a designated area of our Group’s office premises at Room 301 on the 3rd Floor of China Building, No. 29 Queen’s Road Central, Hong Kong with a total floor area of approximately 57.9 sq. ft. (the “**Occupied Premises**”) for a period from 1 February 2019 to 31 March 2021 (both days inclusive). The parties entered into the Deed of Occupation Sharing because (i) Lego Finance was granted with a Money Lenders Licence to carry on business at the Occupied Premises, any change of the registered business address of a money lender requires an application to the licensing court. In considering the application, the licensing court may take into account factors such as the suitability of the premises for carrying on the money lending business and require the production of documents, including but not limited to (a) the occupation permit issued by the Buildings Department to check the permitted use of the premises; and (b) the written consent to the use of premises for money lending business from the landlord. As such, our Directors consider that changing the business address of Lego Finance would cause undue administrative burden; and (ii) the monthly fee payable by Lego Finance to Lego Corporate Finance was prorated and determined after arm’s lengths negotiations and as such, it is on normal commercial terms or better to our Group.

Our Directors confirmed that, as at the Latest Practicable Date, (i) Lego Finance did not come across any money lending business opportunity; (ii) Lego Finance had not commenced business; (iii) Lego Financial Group had no business plan (other than the Preliminary Business Plan) for Lego Finance; and (iv) our Directors had no intention to acquire Lego Finance from Lego Financial Group.

Our Directors further confirmed that to the best of their knowledge after due and careful enquiry, Lego Finance was not subject to any potential claim, liability, litigation, non-compliance, penalty or negative publicity during the Track Record Period and up to the Latest Practicable Date.

Given the fact that there is currently no concrete plan for the commencement of the business of Lego Finance, the Controlling Shareholders have undertaken (i) not to renew the Money Lenders Licence upon its expiry on 12 September 2019 (the “**Expiry Date**”) and to cease the operation of Lego Finance thereafter; and (ii) to terminate the Deed of Occupation Sharing as soon as reasonably practicable after the Expiry Date.

Subsequently on 23 August 2019, Lego Finance had notified the relevant authorities that it would not apply for the renewal of the Money Lenders Licence upon its expiry on 12 September 2019.

On 30 August 2019, Lego Corporate Finance and Lego Finance agreed to terminate the Deed of Occupation Sharing with effect as of 12 September 2019.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and executive Directors confirmed that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than the members of our Group) upon the Listing.

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decisions according to our own business needs. Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Operational independence

We have sufficient operational capacity in terms of capital, facilities, premises and employees to operate our business independently. We also have independent access to clients. Our major clients are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their close associates and have independent access to our service providers for the provision of services.

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Save for the office sharing arrangement between Lego Corporate Finance and Lego Finance which has been terminated with effect from 12 September 2019, our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their close associates during the Track Record Period. Our Group has also established a set of internal controls procedures to facilitate the effective operation of our business. We also have our own capability and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and IT.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Share Offer and the Capitalisation Issue, the day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management of our Group. Our Board has seven Directors comprising four executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to our Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant Board meetings of our Company in respect of such transactions and will not be counted in the quorum. In the circumstances where all our executive Directors are required to abstain from voting on board resolutions due to potential conflict of interest, it will fall to our independent non-executive Directors to exercise their business judgement to make decision as our Board. Given the experience of our independent non-executive Directors, details of which are set out in “Directors and Senior Management — Directors — Independent non-executive Directors”, our Group believes that the remaining Board can still function properly in the event that all our executive Directors are required to abstain from voting. Our Group has also employed other senior management members who have the experience and calibre to conduct our Group’s business.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group’s business independently from our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest after the Listing. In particular, we will implement the following measures:

- (i) As part of our preparation for the Share Offer, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, (a) a Director who to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his/her interest at the meeting of our Board at which the question of entering into the contract or arrangement is first considered, if he/she knows his/her interest then exists, or in any other case at the first meeting of our Board after he/she knows that he/she is or has become so interested; and (b) a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which such Director or any of his/her close associates is materially interested.
- (ii) We are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see “Directors and Senior Management — Directors — Independent non-executive Directors”.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) In the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through our annual report or by way of announcements.
- (iv) Our Company has appointed TUS Corporate Finance as our compliance adviser to advise on compliance matters in accordance with the Listing Rules.
- (v) The independent non-executive Directors may appoint an independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to connected transaction(s) at the cost of our Company.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Prior to Listing, our Group has entered into certain transactions with connected persons of our Company during the Track Record Period. These transactions will continue after the Listing and constitute continuing connected transactions (as defined under the Listing Rules) of our Company. Details of these transactions are set out below.

CONNECTED PERSONS

Mr. Mui is an executive Director and a Controlling Shareholder and as such is a connected person of our Company.

Mr. Choy is a director of Lego Asset Management (Cayman) and Lego Funds SPC. Ms. Poh Lai Yoke (“**Ms. Poh**”) is the spouse of Mr. Choy and as such is a connected person of our Company.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions exempted from reporting, announcement and independent Shareholders’ approval requirements

Provision of securities dealing and brokerage, and securities financing services to our connected person, Mr. Mui, by Lego Securities

In the ordinary course of business, Lego Securities provides securities dealing and brokerage, and securities financing services to Mr. Mui in accordance with the applicable laws and regulations.

On 27 August 2018, Mr. Mui opened a securities trading account with Lego Securities. Pursuant to the securities client agreement, Mr. Mui is required to pay to Lego Securities brokerage commission on securities transactions executed through Lego Securities and interest on outstanding margin loan balance. For the year ended 31 March 2019, Mr. Mui paid approximately HK\$35,000 to Lego Securities as brokerage commission and related charges and interest on securities margin trading.

The terms and conditions of the securities dealing and brokerage, and securities financing services (including but not limited to the brokerage commission and interest charged by Lego Securities) which Lego Securities offered to Mr. Mui are on normal commercial terms comparable to those offered to Independent Third Parties. It is expected that Lego Securities will continue to provide securities dealing and brokerage, and securities financing services to Mr. Mui after the Listing, which will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the provision of securities dealing and brokerage, and securities financing services to Mr. Mui will, as our Directors currently expect, fall below 5% on an annual basis and the annual consideration payable by Mr. Mui to Lego Securities is expected to be less than HK\$3 million, the provision of securities dealing and brokerage, and securities financing services by Lego Securities to Mr. Mui falls within the de minimis transaction exemption under Rule 14A.76(1)(c) of the Listing Rules and is not subject to any reporting, announcement or independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Provision of securities dealing and brokerage, and securities financing services to our connected person, Ms. Poh, by Lego Securities

In the ordinary course of business, Lego Securities provides securities dealing and brokerage, and securities financing services to Ms. Poh in accordance with the applicable laws and regulations.

On 16 July 2018, Ms. Poh opened a securities trading account with Lego Securities. Pursuant to the securities client agreement, Ms. Poh is required to pay to Lego Securities brokerage commission on securities transactions executed through Lego Securities and interest on outstanding margin loan balance. For the year ended 31 March 2019, Ms. Poh paid approximately HK\$35,000 to Lego Securities as brokerage commission and related charges and interest on securities margin trading.

The terms and conditions of the securities dealing and brokerage, and securities financing services (including but not limited to the brokerage commission and interest charged by Lego Securities) which Lego Securities offered to Ms. Poh are on normal commercial terms comparable to those offered to Independent Third Parties. It is expected that Lego Securities will continue to provide securities dealing and brokerage, and securities financing services Ms. Poh after the Listing, which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the provision of securities dealing and brokerage, and securities financing services to Ms. Poh will, as our Directors currently expect, fall below 5% on an annual basis and the annual consideration payable by Ms. Poh to Lego Securities is expected to be less than HK\$3 million, the provision of securities dealing and brokerage, and securities financing services by Lego Securities to Ms. Poh falls within the de minimis transaction exemption under Rule 14A.76(1)(c) of the Listing Rules and is not subject to any reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of asset management services to our connected person, Ms. Poh

In the ordinary course of business, we provide asset management services to Ms. Poh in accordance with the applicable laws and regulations.

On 29 March 2019 and 15 July 2019, Ms. Poh entered into subscription agreements with Lego Funds SPC (acting for an on behalf of Lego Vision Fund SP) to invest approximately HK\$8.4 million and HK\$1.0 million into the fund, respectively. Pursuant to such subscription agreements and the portfolio supplement of the private placement memorandum of Lego Funds SPC, Ms. Poh will be charged, among others, a management fee and a performance fee for class A shares as detailed in "Business — Our business activities — (v) Asset management services — Asset management service". For the year ended 31 March 2019, no such fees were charged to Ms. Poh.

The terms and conditions of the asset management services which we offered to Ms. Poh are on normal commercial terms comparable to those offered to Independent Third Parties. It is expected that we will continue to provide asset management services to Ms. Poh after the Listing, which will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the provision of asset management services to Ms. Poh will, as our Directors currently expect, fall below 5% on an annual basis and the annual consideration payable by Ms. Poh is expected to be less than HK\$3 million, the provision of asset

CONNECTED TRANSACTIONS

management services by us to Ms. Poh falls within the de minimis transaction exemption under Rule 14A.76(1)(c) of the Listing Rules and is not subject to any reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of four executive Directors and three independent non-executive Directors. Our senior management team consists of five individuals (excluding our executive Directors). The following table sets out the information concerning our Directors and senior management:

Directors

Executive Directors

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) ⁽¹⁾
Mr. Mui Ho Cheung Gary (梅浩彰)	44	8 January 2016	Chairman, CEO and executive Director	21 June 2018	Overall strategic planning, management, operation and business development of our Group	Nil
Mr. Liu Chi Wai (廖子慧)	44	4 January 2016	Executive Director	25 March 2019	Overall management of our Group and supervision and management of our corporate finance advisory business	Nil
Mr. Ng Siu Hin Stanley (吳肇軒)	38	4 January 2016	Executive Director	25 March 2019	Overall management of our Group and supervision and management of our corporate finance advisory business	Nil
Ms. Ho Sze Man Kristie (何思敏)	37	13 January 2016	Executive Director	25 March 2019	Overall management of our Group and supervision and management of our corporate finance advisory business	Nil

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) ⁽¹⁾
Ms. Lim Yan Xin Reina (林延芯)	42	10 September 2019	Independent non-executive Director	10 September 2019	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil
Mr. Poon Lai Yin Michael (潘禮賢)	47	10 September 2019	Independent non-executive Director	10 September 2019	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil
Dr. Wong Ho Ki (黃浩麟)	41	10 September 2019	Independent non-executive Director	10 September 2019	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil

⁽¹⁾ This refers to spouse; any person cohabiting with a Director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-in-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

DIRECTORS AND SENIOR MANAGEMENT

Senior management

Name	Age	Date of joining our Group	Present position within our Group	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) ⁽¹⁾
Mr. Choy Kwong Wa Christopher (蔡光華)	55	1 August 2018	Chief investment officer of Lego Asset Management	Managing the asset management business of our Group	Nil
Mr. Lam Yau Lun (林猷麟)	37	2 March 2018	Chief financial officer and company secretary	Overseeing financial and secretarial matters of our Group	Nil
Ms. Lau Pui Yu (劉珮瑜)	36	9 March 2016	Head of compliance	Overseeing compliance matters of our Group	Nil
Mr. Li Wing Chung (李穎沖)	35	11 January 2017	Director of Lego Securities	Managing the daily operations of the underwriting and securities business of our Group	Nil
Mr. Tang Chun Fai Billy (鄧振輝)	45	17 December 2018	Managing director of Lego Corporate Finance	Overseeing the execution of corporate finance projects of our Group	Nil

⁽¹⁾ This refers to spouse; any person cohabiting with a Director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-in-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

DIRECTORS

Executive Directors

Mr. Mui Ho Cheung Gary (梅浩彰), aged 44, joined our Group in January 2016. He was appointed as a Director on 21 June 2018 and re-designated as the Chairman, CEO and executive Director of our Company on 25 March 2019. Mr. Mui is also a director of Lego Investment Holdings, Lego Corporate Finance, Lego Securities, Lego Asset Management, Lego Asset Management (Cayman) and Lego Funds SPC. Mr. Mui has acted as a Responsible Officer of Lego Corporate Finance for Type 6 (advising on corporate finance) regulated activity under the SFO since January 2016 and is one of the

DIRECTORS AND SENIOR MANAGEMENT

sponsor principals of Lego Corporate Finance. Mr. Mui is also the chairman of the nomination committee. Mr. Mui is mainly responsible for the overall strategic planning, management, operation and business development of our Group.

Mr. Mui has accumulated over 20 years of experience in the finance and investment banking industries with extensive experience in leading and supervising different types of corporate finance transactions. Prior to joining our Group, he had held senior leadership positions at various licensed corporations. From January 2009 to January 2016, he worked at Quam Capital Limited (now known as China Tonghai Capital Limited) (“**Quam Capital**”) and his last position was the deputy chief executive officer and a Responsible Officer of Quam Capital for Type 6 (advising on corporate finance) regulated activity. Prior to that, he had worked at Optima Capital Limited (“**Optima Capital**”) from September 2005 to January 2009 and was a Responsible Officer of Optima Capital for Type 6 (advising on corporate finance) regulated activity, Deloitte & Touche Corporate Finance Limited (“**Deloitte & Touche Corporate Finance**”) from August 2000 to September 2005 with his last position as an associate director and Pacific Challenge Capital Limited (“**Pacific Challenge Capital**”) from August 1999 to August 2000 with his last position as a manager.

Mr. Mui obtained a bachelor’s degree in accounting and finance from The University of New South Wales, Sydney, Australia in April 1997 and has been a Fellow of CPA Australia since February 2019.

Mr. Mui was an independent non-executive director of China Sanjiang Fine Chemicals Company Limited (a company listed on the Main Board (stock code: 2198)) from May 2011 to May 2016.

Mr. Liu Chi Wai (廖子慧), aged 44, joined our Group in January 2016. He was appointed as a Director on 25 March 2019 and re-designated as an executive Director on the same day. Mr. Liu is also a director of Lego Corporate Finance. Mr. Liu has acted as a Responsible Officer of Lego Corporate Finance for Type 6 (advising on corporate finance) regulated activity under the SFO since January 2016 and is one of the sponsor principals of Lego Corporate Finance. Mr. Liu is mainly responsible for the overall management of our Group and supervision and management of our corporate finance advisory business.

Mr. Liu has accumulated over 20 years of experience in the securities and investment banking industries. Prior to joining our Group, he had gained corporate finance advisory experience from various licensed corporations. He worked at Quam Capital from February 2009 to January 2016 and his last position was a director of financial advisory department and a Responsible Officer of Quam Capital for Type 6 (advising on corporate finance) regulated activity. Prior to that, he had worked at Optima Capital from April 2005 to January 2009 with his last position as an associate director, South China Finance and Management Limited from May 2004 to March 2005 with his last position as an assistant manager, Hooray Capital Limited from September 2001 to May 2004 with his last position as an assistant manager; and Pacific Challenge Capital from August 2000 to September 2001 as a corporate finance executive. Prior to that, he had worked at Emperor Securities Limited from July 1997 to March 2000 with his last position as a project officer, during which he worked in the settlement department.

Mr. Liu obtained a bachelor’s degree in business administration (major in management information systems) from the Hong Kong Baptist University in December 1997.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Siu Hin Stanley (吳肇軒), aged 38, joined our Group in January 2016. He was appointed as a Director on 25 March 2019 and re-designated as an executive Director on the same day. Mr. Ng is also a director of Lego Corporate Finance. Mr. Ng has acted as a Responsible Officer of Lego Corporate Finance for Type 6 (advising on corporate finance) regulated activity under the SFO since January 2016 and is one of the sponsor principals of Lego Corporate Finance. Mr. Ng is also a Licensed Representative of Lego Securities for Type 1 (dealing in securities) regulated activity under the SFO since October 2017. Mr. Ng is mainly responsible for the overall management of our Group and supervision and management of our corporate finance advisory business.

Mr. Ng has accumulated over 15 years of diversified experience in the accounting and investment banking industries. Prior to joining our Group, he had worked at Quam Capital from March 2007 to January 2016 and his last position was a director of financial advisory department and a Responsible Officer of Quam Capital for Type 6 (advising on corporate finance) regulated activity. Prior to that, he had worked at PricewaterhouseCoopers from January 2006 to January 2007 as a senior associate and Ernst & Young from November 2003 to December 2005 as a staff accountant in the assurance and advisory business services department.

Mr. Ng obtained a bachelor's degree in actuarial science from The University of Hong Kong in December 2003. Mr. Ng has been a Fellow member of the Association of Chartered Certified Accountants since June 2012 and a chartered financial analyst of the CFA Institute since August 2015.

Ms. Ho Sze Man Kristie (何思敏), aged 37, joined our Group in January 2016. She was appointed as a Director on 25 March 2019 and re-designated as an executive Director on the same day. Ms. Ho is also a director of Lego Corporate Finance. Ms. Ho has acted as a Responsible Officer of Lego Corporate Finance for Type 6 (advising on corporate finance) regulated activity under the SFO since January 2016 and is one of the sponsor principals of Lego Corporate Finance. Ms. Ho is mainly responsible for the overall management of our Group and supervision and management of our corporate finance advisory business.

Ms. Ho has accumulated over 15 years of experience in the securities and investment banking industries. Prior to joining our Group, she had accumulated securities and corporate finance advisory experience at various licensed corporations. She worked at Celestial Capital Limited from September 2014 to January 2016 and her last position was an executive director of corporate finance of the investment banking group and a Responsible Officer of Celestial Capital Limited for Type 6 (advising on corporate finance) regulated activity. Prior to that, she had worked at Quam Capital from July 2006 to September 2014 with her last position as a director of financial advisory department and a Responsible Officer of Quam Capital for Type 6 (advising on corporate finance) regulated activity. Prior to that, she had worked at Quam Securities Company Limited (now known as China Tonghai Securities Limited) from January 2005 to July 2006 as an analyst; and Platinum Management Services Limited, a company engaged in financial services, from September 2003 to January 2005, and her last position was a research analyst.

Ms. Ho obtained a bachelor's degree in commerce from The University of British Columbia, Vancouver, British Columbia, Canada in May 2003.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. Lim Yan Xin Reina (林延芯) (formerly known as Lim Yi Ping (Lin Yiping) (林憶萍)) (“**Ms. Lim**”), aged 42, was appointed as an independent non-executive Director on 10 September 2019. She is the chairlady of the audit committee and a member of the remuneration committee and the nomination committee.

Ms. Lim has over 18 years of experience in accounting. During her tenures at the following companies, she was primarily responsible for overseeing the auditing of financial statements of companies, reviewing internal control systems and accounting procedures of companies, or managing daily operations of companies. She joined True Fitness Holdings (Singapore) Pte. Ltd. as the group chief operating officer since July 2017 and was also appointed as the chief financial officer since May 2018. Prior to that, she had worked at Ernst & Young Solutions LLP in Singapore as an executive director from April 2016 to June 2017. From January 2014 to March 2016, she worked at CFO (HK) Limited as a regional director. From July 2007 to September 2013, she worked at Boardroom Corporate Services (HK) Limited as an executive director. From June 2004 to June 2007, she worked at Deloitte & Touche Corporate Finance and her last position was a manager. From June 2002 to May 2004, she worked at Deloitte & Touche Financial Advisory Services Pte Ltd as a senior associate. From January 2000 to June 2002, she worked at Arthur Anderson in Singapore and her last position was a senior.

Ms. Lim obtained a bachelor’s degree in commerce from The University of Queensland in Australia in December 1999 and a graduate diploma from the Institute of Chartered Accountants in Australia in April 2006. She has been a member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants since July 2006 and September 2006, respectively.

Ms. Lim was an independent non-executive director of On Real International Holdings Limited (a company listed on GEM (stock code: 8245)) from September 2015 to March 2016.

Ms. Lim was a director of the following company, which was incorporated in the BVI, at the time of its dissolution:

Company name	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Nation Valley Investment Limited	Investment holding	1 November 2018	Striking off	Cessation of business

Ms. Lim confirmed that (i) the dissolved company above was solvent immediately prior to its dissolution; (ii) there was no fraudulent act or misfeasance on her part leading to its dissolution; and (iii) she is not aware of any actual or potential claim that had been or will be made against her as a result of its dissolution.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Poon Lai Yin Michael (潘禮賢) (“Mr. Poon”), aged 47, was appointed as an independent non-executive Director on 10 September 2019. He is the chairman of the remuneration committee and a member of the audit committee and the nomination committee.

Mr. Poon has over 20 years of experience in financial reporting, business advisory, auditing and accounting. Mr. Poon has been a Licensed Representative for Type 6 (advising on corporate finance) regulated activity of Canfield Corporate Finance Company Limited, a licensed corporation, since 26 April 2019. Since August 2017, Mr. Poon has been the executive director of Huakang Biomedical Holdings Company Limited (a company listed on GEM (stock code: 8622)). He is the founder and has been a director of Integrity Partners Capital Company Limited since April 2013. From November 2000 to March 2002, he worked at Arthur Andersen & Co. as a senior accountant. From February 2000 to November 2000, he worked at K. L. Lee & Partners C.P.A. Limited as an audit senior. From March 1997 to June 1999, he worked at Ho & Au Yeung and his last position was an audit semi-senior. From March 1995 to February 1997, he worked at Chan Chak Chung & Co. and his last position was an audit senior.

Since June 2019, Mr. Poon has been an independent non-executive director of Niche-Tech Group Limited (a company listed on GEM (stock code: 8490)). Since March 2019, Mr. Poon has been an independent non-executive director of Teamway International Group Holdings Limited (a company listed on the Main Board (stock code: 1239)). Mr. Poon has also been an independent non-executive director of Cityneon Holdings Limited (a company previously listed on the main board of the Singapore Exchange Limited) since August 2017. Since January 2010, he has been an independent non-executive director of Smartac Group China Holdings Limited (a company listed on the Main Board (stock code: 395)). Mr. Poon has also been an independent non-executive director of China Uptown Group Company Limited (a company listed on the Main Board (stock code: 2330)) since November 2006.

Mr. Poon also held the following positions in the following companies, the shares of which are or were listed on the Stock Exchange.

Current name of company	Current/former principal business activities	Period of service	Position
Anxin-China Holdings Limited (a company previously listed on the Main Board)	Integrated solutions provider, services operator and equipment manufacturer of intelligent surveillance, disaster alert and rescue coordination systems and intelligent safety systems	February 2017 to May 2017	Chief executive officer and company secretary
Vincent Medical Holdings Limited (a company listed on the Main Board (stock code: 1612))	Manufacture a range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products	February 2016 to July 2017	Alternate director to a non-executive director

DIRECTORS AND SENIOR MANAGEMENT

Current name of company	Current/former principal business activities	Period of service	Position
Celebrate International Holdings Limited (a company listed on GEM (stock code: 8212))	Trading of food and beverage, money lending, provision of health care services, securities investment and trading, property investment and provision of logistics services	June 2010 to April 2011	Chief financial officer and company secretary
		October 2010 to July 2011	Executive director
		July 2011 to December 2011	Non-executive director
Sun International Group Limited (a company listed on GEM (stock code: 8029))	Trading and extraction of minerals, trading of bloodstock and provision of administrative service	September 2008 to September 2011	Independent non-executive director
Enviro Energy International Holdings Limited (a company listed on the Main Board (stock code: 1102))	Development of environment energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies in the PRC	December 2006 to July 2008	Independent non-executive director
		July 2008 to November 2009	Chief financial officer
KOALA Financial Group Limited (a company listed on GEM (stock code: 8226))	Manufacturing and sale of quality and high performance loudspeaker systems to leading global automobiles and consumer electronics companies	March 2002 to June 2008	Financial controller and company secretary

Mr. Poon was a director of the following companies, which were incorporated in Hong Kong, prior to their respective dissolution:

Company name	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Hong Kong Wan Zhong Travel Company Limited 香港萬眾旅行社有限公司	Travel consultant	2 December 2016	Deregistration	Cessation of business
Biosphere Company Limited	Investment holding	5 August 2016	Deregistration	Cessation of business
Wan Zhong Travel Group Holdings Limited 萬眾旅業集團控股有限公司	Investment holding	3 June 2016	Deregistration	Cessation of business

Mr. Poon confirmed that (i) each of the dissolved companies above was solvent immediately prior to its dissolution; (ii) there was no fraudulent act or misfeasance on his part leading to the dissolution of such companies; and (iii) he is not aware of any actual or potential claim that had been or will be made against him as a result of the dissolution of such companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Poon obtained a bachelor's degree in administrative studies from York University, Canada in June 1995 and a master's degree in practising accounting from Monash University, Australia in July 1998. Mr. Poon has been a Fellow member of the Hong Kong Institute of Certified Public Accountant since July 2009, and a member of CPA Australia since March 2000. Mr. Poon passed the qualification examination of Asset Management Association of China (中國證券投資基金業協會從業資格考試) in 2016.

Dr. Wong Ho Ki (黃浩麟) (“Dr. Wong”), aged 41, was appointed as an independent non-executive Director on 10 September 2019. He is a member of the audit committee, nomination committee and the remuneration committee.

Dr. Wong has approximately 12 years of experience in the academic sector and over six years of experience in the legal industry. He joined Simon C. W. Yung & Co. in August 2012 as a trainee solicitor and is now a solicitor of the firm and currently practises civil and criminal litigation. From March 2009 to August 2009, he worked at Simon C. W. Yung & Co. as a litigation clerk. From August 2007 to December 2008, he worked at The Chinese University of Hong Kong as a research associate. From August 2006 to August 2007, he worked at The Hong Kong Polytechnic University as a lecturer. Dr. Wong also worked as a part-time instructor at the School of Continuing and Professional Studies, The Chinese University of Hong Kong, from August 2004 to January 2016.

Dr. Wong obtained a bachelor of arts degree (major in philosophy) in November 2001, a master of philosophy degree in December 2003 and a doctor of philosophy degree in December 2006 from The Chinese University of Hong Kong. Dr. Wong also obtained a juris doctor degree in December 2011 and the postgraduate certificate in laws in July 2012 from The Chinese University of Hong Kong. He was admitted as a solicitor of Hong Kong in September 2014.

Disclosure under Rule 13.51(2) of the Listing Rules

Except as disclosed in this section, each of our Directors confirmed that he/she has not held directorships in the last three years in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas as at the Latest Practicable Date. Each of our Directors has also confirmed that as at the Latest Practicable Date (i) save as disclosed in this section, he/she is independent from and not related to any of our other Directors, members of senior management, substantial Shareholders or Controlling Shareholders; and (ii) save as disclosed in “Further information about our Directors and substantial Shareholders” in Appendix IV to this prospectus, he/she does not have any interest in the Shares within the meaning of Part XV of the SFO.

None of our executive Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group. Please refer to “Further information about our Directors and substantial Shareholders” in Appendix IV to this prospectus for further information about our Directors, including details of the interest of our Directors in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) and particulars of their respective service contract or letter of appointment and remuneration.

DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed in this section, each of our Directors confirmed that there were no other matters relating to his/her appointment as a Director that was required to be brought to the attention of our Shareholders and there was no information relating to our Directors which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of or paragraph 41(3) of Appendix IA to the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Choy Kwong Wa Christopher (蔡光華) (“**Mr. Choy**”), aged 55, joined our Group in August 2018 and is the chief investment officer of Lego Asset Management. Mr. Choy is also a director of Lego Asset Management (Cayman) and Lego Funds SPC. Mr. Choy has acted as a Responsible Officer of Lego Asset Management for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO since 1 March 2019. Mr. Choy is mainly responsible for managing the asset management business of our Group.

Mr. Choy accumulated over 25 years of experience in the asset management and investment industry, during which he managed client portfolios and provided investment advice. Prior to joining our Group, he worked at Oceanwide Asset Management Limited (formerly known as Quam Asset Management Limited and now known as China Tonghai Asset Management Limited) from March 2006 to July 2018 and his last position was the chief investment officer and a Responsible Officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Prior to that, he was a director of Pacific World Asset Management Limited (“**Pacific World**”), a then licensed corporation to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities, from February 1993 to February 2011. From April 2003 to October 2005, he served as a Responsible Officer of Pacific World for Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Mr. Choy obtained a bachelor’s degree in design and technology from the Loughborough University of Technology, the United Kingdom in July 1990 and a master of business administration from the Asia International Open University, Macau in May 1995.

Mr. Choy did not hold any directorship in any public listed company in the last three years.

Mr. Lam Yau Lun (林猷麟) (“**Mr. Lam**”), aged 37, joined our Group in March 2018 and was appointed as our chief financial officer and company secretary on 25 March 2019. Mr. Lam is mainly responsible for overseeing the financial and secretarial matters of our Group.

Mr. Lam has approximately 15 years of experience in the accounting, corporate finance and investment banking industries. Prior to joining our Group, he worked at a Fortune Global 500 corporation, which is a leader in the food and pharmacy industry in Canada, from July 2016 to September 2017 with his last position as a senior manager, primarily responsible for financial reporting. Mr. Lam performed corporate finance advisory works at Deloitte & Touche Corporate Finance from September 2012 to November 2015 with his last position as an associate director, and Quam Capital from March 2010 to August 2012 with his last position as a manager. Mr. Lam also gained accounting experience from Deloitte Touche Tohmatsu from August 2004 to July 2008, with his last position as a senior in the audit department.

Mr. Lam obtained a bachelor’s degree in business administration (major in accounting and economics) from The Hong Kong University of Science and Technology in November 2004. He also obtained master’s degrees in business administration from HEC Paris in May 2010 and The Chinese

DIRECTORS AND SENIOR MANAGEMENT

University of Hong Kong in December 2010. Mr. Lam has been a Fellow member of the Hong Kong Institute of Certified Public Accountants since July 2015 and a member of the Chartered Professional Accountants of Ontario, Canada since June 2015.

Mr. Lam was an independent non-executive director of Season Pacific Holdings Limited (a company formerly listed on GEM (stock code: 8127) and currently listed on the Main Board (stock code: 1709)) from May 2017 to May 2018. Save as aforesaid, Mr. Lam did not hold any other directorship in any public listed company in the last three years.

Ms. Lau Pui Yu (劉珮瑜), aged 36, joined our Group in March 2016 and is the head of compliance of our Group. Ms. Lau is mainly responsible for overseeing the compliance matters of our Group. Ms. Lau is a Licensed Representative of Lego Corporate Finance for Type 6 (advising on corporate finance) regulated activity under the SFO since March 2016.

Ms. Lau has approximately nine years of experience in the corporate finance and investment banking industries and approximately three years of experience in compliance. Prior to joining our Group, she worked in the corporate finance and investment banking industries at several licensed corporations, which include (i) Deloitte & Touche Corporate Finance for the period from July 2015 to March 2016 as an associate director; (ii) Quam Capital for the period from August 2012 to July 2015 with her last position as a senior manager; (iii) Guotai Junan Capital Limited for the period from June 2011 to August 2012 as a manager; (iv) Deloitte & Touche Corporate Finance for the period from November 2010 to June 2011 as a manager; and (v) Optima Capital for the period from January 2007 to October 2010 with her last position as a manager.

Ms. Lau obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in December 2006.

Ms. Lau did not hold any directorship in any public listed company in the last three years.

Mr. Li Wing Chung (李穎沖) (“Mr. Li”), aged 35, joined our Group in January 2017 and is a director of Lego Securities. Mr. Li has acted as a Responsible Officer of Lego Securities for Type 1 (dealing in securities) regulated activity under the SFO since 19 January 2017. Mr. Li is mainly responsible for managing the daily operations of the underwriting and securities businesses of our Group.

Mr. Li has approximately nine years of experience in the securities and futures industry, during which he was responsible for dealing in and advising on securities and futures. Prior to joining our Group, he worked at Brilliant Norton Securities Company Limited from October 2015 to January 2017 and his last position was a Responsible Officer for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Prior to that, he had worked at Phillip Securities (Hong Kong) Limited from May 2011 to September 2015 with his last position as a senior dealer, and Haitong International Securities Company Limited from August 2010 to April 2011 with his last position as an account executive.

Mr. Li obtained a high diploma in social policy and administration in December 2007 and a bachelor's degree in social policy and administration in October 2008 from The Hong Kong Polytechnic University.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li did not hold any directorship in any public listed company in the last three years.

Mr. Tang Chun Fai Billy (鄧振輝) (“**Mr. Tang**”), aged 45, joined our Group in December 2018 and is the managing director of Lego Corporate Finance. Mr. Tang is mainly responsible for overseeing the execution of corporate finance projects of our Group.

Mr. Tang has over 20 years of experience in the accounting and investment banking industries. Prior to joining our Group, he worked at Goldin Financial Limited from July 2009 to December 2018 and his last position was the director of investment banking division and a Responsible Officer for Type 6 (advising on corporate finance) regulated activity. Prior to that, he had worked at Optima Capital from June 2007 to June 2009 and was a Responsible Officer for Type 6 (advising on corporate finance) regulated activity. Prior to that, he had worked at BOCOM International Holdings Company Limited from June 2005 to June 2007 as a Licensed Representative for Type 6 (advising on corporate finance) regulated activity, and Deloitte & Touche Corporate Finance from January 2003 to October 2004 with his last position as a senior executive. Mr. Tang also accumulated accounting experience during his time at PricewaterhouseCoopers from December 1996 to May 1999.

Mr. Tang obtained a bachelor’s degree in business administration from The University of Massachusetts at Amherst, United States, in May 1996.

Mr. Tang did not hold any directorship in any public listed company in the last three years.

BOARD COMMITTEES

We have established an audit committee, a remuneration committee and a nomination committee. Each committee operates in accordance with its terms of reference established by our Board.

Audit committee

The audit committee was established on 10 September 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The audit committee comprises three independent non-executive Directors, namely Ms. Lim, Mr. Poon and Dr. Wong. The chairperson of the audit committee is Ms. Lim.

The role of the audit committee includes reviewing and monitoring our Group’s external auditor’s independence and objectivity and the effectiveness of the audit process, monitoring the integrity of our Group’s financial information and reviewing significant financial reporting judgements and overseeing our Group’s financial reporting system and risk management and internal control systems.

Remuneration committee

The remuneration committee was established on 10 September 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The remuneration committee comprises three independent non-executive Directors, namely Mr. Poon, Ms. Lim and Dr. Wong. The chairperson of the remuneration committee is Mr. Poon.

DIRECTORS AND SENIOR MANAGEMENT

The role of the remuneration committee includes making recommendations to our Board on our Group's remuneration policy and structure of the remuneration packages, bonuses and other compensation payable to our Directors and senior management, the establishment of a formal and transparent procedure for developing our Group's remuneration policy as well as to ensure that no Director or his/her associate is involved in deciding his/her own remuneration.

Nomination committee

The nomination committee was established on 10 September 2019 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee comprises one executive Director and three independent non-executive Directors, namely Mr. Mui, Ms. Lim, Mr. Poon and Dr. Wong. The chairperson of the nomination committee is Mr. Mui.

The role of the nomination committee includes conducting an annual review of the structure, size and composition of our Board and making recommendations on any proposed changes to our Board, identifying suitably qualified individuals to become Board members and making recommendations to our Board on the selection of individuals nominated for Board membership, assessing the independence of the independent non-executive Directors and making recommendations to our Board on the appointment and re-appointment of Directors and succession planning for Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation in the form of fees, salaries, discretionary bonuses and defined contributions, and their respective remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities, workload, the time devoted to our Group, individual performance and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to the operations of our Group.

Our Group regularly reviews and determines the remuneration packages of our Directors and senior management. After Listing, the remuneration committee will assist our Board in reviewing and determining the remuneration packages.

During the three years ended 31 March 2019, the aggregate remuneration (including fees, salaries, discretionary bonuses, share-based payment expenses and defined contributions) paid by our Group to our Directors was approximately HK\$7.4 million, HK\$5.5 million and HK\$7.6 million, respectively.

During the three years ended 31 March 2019, the aggregate remuneration (including salaries, discretionary bonuses and defined contributions) paid by our Group to our five highest paid individuals (including our executive Directors) was approximately HK\$11.3 million, HK\$8.1 million and HK\$10.6 million, respectively.

Under the current arrangements, we estimate that the aggregate remuneration (excluding payment pursuant to any discretionary benefits or bonuses or other fringe benefits) payable by our Group to, and benefits in kind receivable by, our Directors for the year ending 31 March 2020 to be approximately HK\$5.1 million.

DIRECTORS AND SENIOR MANAGEMENT

Please refer to note 12 to the Accountants' Report set out in Appendix I to this prospectus for details of the remuneration of our Directors and the five highest paid individuals during the Track Record Period and refer to "Further information about our Directors and substantial Shareholders — 9. Particulars of Directors' service contracts and letters of appointment" in Appendix IV to this prospectus for details of the terms of our Directors' service contracts and letters of appointment.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived or agreed to waive any emoluments during the Track Record Period. Save as disclosed in "— Remuneration of Directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code, with the exception of code provision A.2.1, which requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Mui currently holds both positions. Mr. Mui, our executive Director and Controlling Shareholder, has held key leadership position of our Group since March 2016 and has been responsible for overall strategic planning, management, operation and business development of our Group. Our Directors (including our independent non-executive Directors) consider that Mr. Mui is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Group and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and apply the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the Listing.

Our Directors have a balanced mix of experience and industry background, including but not limited to experience in the corporate finance, legal, business advisory and accounting industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of our Board members.

We have adopted a Board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our Board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our Board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our Board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed TUS Corporate Finance as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following circumstances:

- (i) before the publication of any regulatory announcements, circulars or financial reports;
- (ii) where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapters 14 and/or 14A of the Listing Rules, is contemplated, including shares issues and share repurchases;
- (iii) where we propose to use the net proceeds from the Share Offer due to us in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue ⁽¹⁾	Approximate percentage of shareholding immediately after completion of the Share Offer and the Capitalisation Issue
Lego Financial Group	Beneficial owner ⁽²⁾	299,492,188 (L)	74.87%
Mr. Mui	Interest of controlled corporation ⁽²⁾	299,492,188 (L)	74.87%
Ms. Ki Sin Yee Cindy ("Ms. Ki")	Interest of spouse ⁽³⁾	299,492,188 (L)	74.87%
Mr. Wong	Beneficial owner	20,820,312 (L)	5.21%

⁽¹⁾ The letter "L" denotes the person's long position in the relevant Shares.

⁽²⁾ Mr. Mui legally and beneficially owns approximately 90.38% of the issued shares of Lego Financial Group and is its sole director. Accordingly, Mr. Mui is deemed to be interested in the 299,492,188 Shares held by Lego Financial Group by virtue of the SFO.

⁽³⁾ Ms. Ki is the spouse of Mr. Mui and is therefore deemed to be interested in all the Shares that Mr. Mui is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

Long position in the underlying Shares

Name	Capacity/Nature of interest	Number of underlying Shares held/interested ⁽¹⁾	Approximate percentage of shareholding
Mr. Mui	Beneficial owner ⁽²⁾	4,763,452 (L)	1.19%
Ms. Ki	Interest of spouse ⁽³⁾	4,763,452 (L)	1.19%

⁽¹⁾ The letter “L” denotes the person’s long position in the relevant underlying Shares.

⁽²⁾ Mr. Mui is interested in the 4,763,452 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.

⁽³⁾ Ms. Ki is the spouse of Mr. Mui and is therefore deemed to be interested in all the underlying Shares that Mr. Mui is interested in by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the Joint Lead Managers and the Stock Exchange, details of which are set out in “Underwriting”. Our Controlling Shareholders and our Company have also given undertakings in respect of the Shares to the Stock Exchange as required by Rules 10.07(1) and 10.08 of the Listing Rules, respectively.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company fully paid up or credited as fully paid up immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme) are as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000.00</u>
 <i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
2,048	Shares in issue as at the date of this prospectus	20.48
327,997,952	New Shares to be issued pursuant to Capitalisation Issue ⁽¹⁾	3,279,979.52
72,000,000	New Shares to be issued pursuant to the Share Offer	720,000.00
<u>400,000,000</u>	Total Shares	<u>4,000,000.00</u>

⁽¹⁾ Pursuant to the written resolutions of all the Shareholders passed on 10 September 2019, conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise the amount of HK\$3,279,979.52 from the amount standing to the credit of the share premium account of our Company and to apply such amount in paying up in full at par a total of 327,997,952 new Shares for allotment and issue to the then existing Shareholders registered as such at the close of business on 10 September 2019.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

SHARE CAPITAL

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of all the Shareholders passed on 10 September 2019, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 327,997,952 new Shares to the then existing Shareholders registered as such on the close of business on 10 September 2019, credited as fully paid at par, by way of capitalisation of the sum of HK\$3,279,979.52 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

SHARE OPTION SCHEMES

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. The principal terms of the Share Option Schemes are summarised in “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes” in Appendix IV to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the Share Offer — Conditions of the Share Offer” being fulfilled, our Directors have been granted a general unconditional mandate to, among others, allot, issue and deal with Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders in general meeting) shall not exceed:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors as referred to in “— General mandate to repurchase Shares”.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors.

For further details of this general mandate, please refer to “Further information about our Group — 4. Written resolutions of all the Shareholders passed on 10 September 2019” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the Share Offer — Conditions of the Share Offer” being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on other stock exchange(s) on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on other stock exchange(s) on which the Shares are listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Further information about our Group — 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

The general mandates to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors.

For further details of this general mandate, please refer to “Further information about our Group — 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase our share capital; (ii) consolidate our capital into shares of larger amount; (iii) divide the Shares into several classes; (iv) subdivide the Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to “2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to “2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements, including the notes thereto, as set out in the Accountants' Report as set out in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) as adopted by the Hong Kong Institute of Certified Public Accountants. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. Such risks and uncertainties include, but without limitation, those discussed in “Risk Factors”, “Forward-looking Statements” and “Business” and elsewhere in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are an active financial services provider in Hong Kong which engages in the provision of (i) corporate finance advisory services; (ii) underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services.

During the Track Record Period, we derived a majority of our revenue from our corporate finance advisory services, which accounted for 100.0%, approximately 88.8% and 77.3% of our total revenue for the three years ended 31 March 2019, respectively. Our other business segments, namely (i) underwriting services; (ii) securities dealing and brokerage services; and (iii) securities financing services, in aggregate accounted for approximately 0.05%, 11.2% and 22.7% of our revenue for the three years ended 31 March 2019, respectively. During the Track Record Period, we derived our revenue generally from the following:

- **Corporate finance advisory services:** acting as a sponsor to companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process; acting as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or Takeovers Code; acting as an independent financial adviser to independent board committees and independent shareholders of listed companies in Hong Kong rendering recommendations and opinions; and acting as a compliance adviser to listed companies in Hong Kong advising them on post-listing compliance matters;
- **Underwriting services:** acting as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acting as an underwriter or placing agent for secondary market transactions;

FINANCIAL INFORMATION

- **Securities dealing and brokerage services:** providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange and in other overseas markets; and (ii) other services including script handling and settlement services, account maintenance services, nominee and corporate action services, investor relations and related services; and
- **Securities financing services:** providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 21 June 2018 as an exempted company with limited liability. Subsequent to the Reorganisation, details of which are set out in “History, Reorganisation and Group Structure”, Lego Investment Holdings and its subsidiaries are under the effective control of our Company, and ultimately our Controlling Shareholders. Accordingly, for the purpose of this prospectus, the financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared using the historical financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising our Group where this is a shorter period. The combined statements of financial position of our Group as at 31 March 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the entities now comprising our Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of our Group were combined using the carrying value from the perspective of our Controlling Shareholders. All significant intra-group transactions and balances have been eliminated in full on combination.

Our combined financial information has been prepared in accordance with the HKFRSs and applicable disclosure requirements of the Listing Rules and the Companies Ordinance. Details regarding the basis of preparation and presentation of our combined financial information are set out in note 2 to the Accountants’ Report contained in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

Our financial information have been prepared in accordance with the HKFRSs. Some of the accounting policies involve subjective judgements, estimates, and assumptions made by our management, all of which are inherently subject to uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances.

The following paragraphs summarise certain accounting policies and critical accounting judgement applied in the preparation of our Group’s combined financial statements. Details regarding the significant accounting policies, as well as critical accounting judgement and key sources of estimation uncertainty are set out in the Accountants’ Report contained in Appendix I to this prospectus.

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Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying in particular performance obligation is transferred to customers.

Control of the goods or services may be transferred over time or at a point in time. If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

(i) *Corporate finance advisory services*

Our Group accounted for the revenue from corporate finance advisory services according to HKFRS 15 *Revenue from Contracts with Customers* and the published Questions and Answers on the recognition of IPO sponsor fee income under HKFRS 15 developed by the Financial Reporting Standards Committee of the Hong Kong Institute of Certified Public Accountants in February 2019.

Sponsor fee income and advisory fee income are recognised over time because our Group has the right to be paid for work done to date if the customer were to cancel the relevant contracts before services are completed.

Compliance advisory fee income is recognised over time because customer simultaneously receives and consumes the benefits provided by our Group’s performance as our Group performs.

Pursuant to HKFRS 15, we conduct the following analysis when recognising revenue of corporate finance advisory services:

- Step 1: There were contracts signed between our Group and our customers for each of the IPO and financial advisory service engagements.
- Step 2: For the IPO engagements, our Group accounted for all of the sponsorship services promised in the contract as a single performance obligation, and for the financial advisory service engagements, our Group will assess and analyse each of the relevant contracts to determine the numbers of performance obligation.
- Step 3: Even when the stated price in the contracts was fixed, the amount of consideration could vary because our Group may be entitled to part of the consideration only upon occurrence or non-occurrence of a future event, for example, submission of the listing application, or our Group is willing to accept an amount of consideration which is lower than the stated price, for example, if the listing application is unsuccessful.

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Step 4: For the IPO engagements, as there is one performance obligation and one fixed price for each contract, there is no need to allocate the stated price to the performance obligation, and for the financial advisory service engagements, the stated price may be allocated subject to the assessed numbers of performance obligation.

Step 5: For each of the IPO sponsorship and financial advisory service engagements, our Group analysed that they meet the criterion set out in HKFRS 15 paragraph 35(c) where (i) our Group has a right to payment for performance obligations completed to date at all times throughout the duration of the contract (as evidenced by the terms of the contract); and (ii) that right to payment is enforceable (as opined by legal advisers based on their review of the terms of the contract). Accordingly, the IPO sponsorship fee and financial advisory fee income is recognised over time. Under our Group's pricing policy, we can maintain a reasonable profit margin for our IPO sponsorship projects as a whole in all material respects. For the revenue recognition of the IPO sponsorship fee and financial advisory fee income, our Group will recognise revenue over time up to the amount where a payment milestone has been achieved in accordance with the contracts and will not recognise the relevant revenue if a payment milestone has not been achieved.

As regards the compliance advisory fee income, our Group analysed that they meet the criterion set out in HKFRS 15 paragraph 35(a) as pursuant to the relevant contracts, our Group's customers simultaneously receive and consume the benefits provided by us as we perform. Accordingly, the compliance advisory fee income is recognised over time.

(ii) Underwriting services

Underwriting fee income is recognised at a point in time when the relevant services have been rendered.

(iii) Securities dealing and brokerage services

Securities dealing and brokerage commission income is recognised at a point in time when the relevant services have been rendered.

(iv) Securities financing services

Interest income is recognised on a time-portion basis using the effective interest method.

Impact on adoption of HKFRS 15

HKFRS 15 "Revenue from Contracts with Customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. This standard was effective for annual periods beginning on or after 1 January 2018, and had been early adopted by our Group consistently throughout the Track Record Period.

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HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a five-step approach: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) a performance obligation is satisfied. The core principle is that a company should recognise revenue when the control of a good or service transfers to a customer.

Certain revenue of Lego Corporate Finance for the two years ended 31 March 2018 initially recognised under HKAS 18 were adjusted and reclassified according to the early adoption of HKFRS 15 which caused our Group's combined retained earnings recorded under HKAS 18 became accumulated losses recorded under HKFRS 15 as at 31 March 2017 and 2018 set out in Appendix I to this prospectus. However, the adoption of HKFRS 15 did not create actual or material impact on our Group's financial position and performance as a whole.

Share-based payments

Where equity instruments are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the equity instruments at the grant date. Such fair value is recognised in profit or loss immediately with a corresponding increase in the share based payment reserve within equity if there is no vesting condition.

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Upon exercise of share options, the amount previously recognised in share option reserve and the proceeds received net of directly attributable transaction costs up to the normal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profit.

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Impairment of financial assets measured at amortised cost

Loss allowances for accounts receivable and other receivables are always measured at an amount equal to lifetime expected credit loss(es) (“ECL(s)”). ECLs on these financial assets are estimated using a provision matrix based on our Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, our Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in the credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, our Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making such reassessment, our Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as realising securities (if any is held); or (ii) the financial asset is 90 days past due. Our Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Our Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

As at 31 March 2017, 2018 and 2019, the carrying values of accounts receivable (including ECL on accounts receivable) were approximately HK\$4.3 million, HK\$4.2 million and HK\$22.3 million, respectively. ECL on accounts receivable of approximately HK\$16,000, nil and approximately HK\$93,000 was made for the three years ended 31 March 2019, respectively.

The adoption of HKFRS 9 did not have material impact on our Group’s financial position and performance.

MAJOR FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those set forth in “Risk Factors” and those discussed below, some of which are beyond our control.

Due to the business nature of our financial services, our business is mainly project-driven and our revenue is directly related to the number and size of the projects undertaken by us. In addition, the provision of our financial services focuses on the Hong Kong market. Taking these into account, our Directors consider that the major factors affecting our financial position and results of operations include:

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We face fierce competition in the financial and securities services industry in Hong Kong and may lose our competitive edge to our competitors

There is a significant number of existing market participants in the financial and securities services industry in Hong Kong providing services similar to ours. Our larger competitors may have advantages over us such as having better brand recognition and reputation in the market, wider range of value-adding services, stronger human and financial resources, longer operating histories, and operational presence in more geographic locations. We also face competition from local medium and small-sized financial services providers which offer similar range of services. New participants may enter into the market insofar as they have engaged appropriate qualified professionals and obtained the requisite regulatory licences and permits. Given the keen competition, we cannot assure that we will be able to maintain our competitive edge in response to the fast-changing business environment. In addition, competition creates an unfavourable pricing environment in the market in which we operate. Intensified competition may cause us to reduce our service fees or commission rates in order to compete with other market players, which could place significant pressure on our ability to maintain gross margins and is particularly acute during market slowdowns, and will in turn materially and adversely affect our market share, financial condition and results of operations.

Our business performance is highly influenced by the conditions of the financial and securities market in Hong Kong

All our business operations were concentrated in the financial and securities sector in Hong Kong during the Track Record Period. Any material deterioration in the financial and economic conditions of the financial and securities market in Hong Kong could materially and adversely affect our business and prospects. The Hong Kong financial and securities market is susceptible to changes in the global as well as domestic economic, social and political conditions including, without limitation, interest rate fluctuations, volatility of foreign currency exchange rates, monetary policy changes and legal and regulatory changes. When there are unfavourable changes to the global or local market conditions, the financial and securities market in Hong Kong may experience negative fluctuations in its performance. It may directly affect the demand for our services, our pricing strategies, the level of our business activities and consequently our revenue derived therefrom. This may materially and adversely affect our financial condition and results of operations.

We are affected by the rules and regulations governing listed companies on the Stock Exchange

During the Track Record Period, we provided corporate finance advisory services to clients who are listing applicants or listed companies or their shareholders or investors on the Stock Exchange. These clients are required to comply with the Listing Rules, the GEM Listing Rules, the Takeovers Code and other rules and regulations where applicable. Any changes to such rules and regulations, particularly those affecting the appointment and the role of sponsor in listing applications and the appointment and role of financial adviser in specific transactions, may affect the demand for and scope of our corporate finance advisory services which may in turn materially and adversely affect our results of operations.

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Our business depends on the continued services of our key management and professional personnel. Failure to retain and motivate them or to attract suitable replacements may adversely affect our operations

As at the Latest Practicable Date, we had 10 Responsible Officers (of which five were sponsor principals) for Type 6 (advising on corporate finance) regulated activity, three Responsible Officers for Type 1 (dealing in securities) regulated activity and two Responsible Officers for Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Our success is dependent on the continued services of our experienced and competent management. Our management is responsible for strategic planning as well as managing our business development and daily operations. In particular, the skills and expertise contributed by our executive Directors have played a crucial role in building our success and reputation to date. We also rely on our professional staff with in-depth industry knowledge and substantial experience in our operations to contribute to maintaining and establishing our client relationships. We may be unable to attract or retain the services of management and professional staff for our business in the future, particularly when the competition for competent personnel in the industry is intense. If we lose any key senior management or key personnel, there is no assurance that we will be able to find suitable replacements in a timely manner or at comparable costs, or at all. These personnel may join our competitors which may further intensify market competition. As a result, our operations, prospects and profitability could be materially and adversely affected.

Extensive regulatory requirements which change from time to time

We seek to conduct our business in accordance with the laws, rules and policies issued or endorsed by regulators, best market practice and the highest standards of integrity and fair dealing. It is imperative that all our employees, licensed persons and our Directors act in conformity with their own and our responsibilities under the legal and regulatory system.

The financial and securities industry in Hong Kong is highly regulated and we are subject to different laws, rules, regulations, codes and guidelines including but not limited to the SFO, the Code of Conduct, the Companies Ordinance, the Listing Rules, the GEM Listing Rules and the Takeovers Code. Lego Corporate Finance, Lego Securities and Lego Asset Management are licensed corporations under the SFO and we are under the supervision of the SFC and the Stock Exchange. We are required to ensure continuous compliance with all applicable laws, rules, regulations, codes and guidelines and to remain fit and proper to be licensed.

The SFC supervises licensed corporations and intermediaries operating in the market. The SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries. Under the SFO, the SFC may take disciplinary action against a regulated person (including a licensed person or a registered institution) if that person is found to be guilty of misconduct or not fit and proper to be or remain the same type of regulated person. Disciplinary actions taken by the SFC include revocation or suspension of licence, public or private reprimand or imposition of pecuniary penalties.

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Compliance is dynamic in nature. Changes and updates of laws, rules, regulations, codes and guidelines are introduced from time to time for purposes including regulating new market developments and our business activities will continue to develop and expand. We are required to regularly review our internal control system and ensure our staff is aware of such changes. If we fail to comply with all applicable laws, rules, regulations, codes and guidelines from time to time, we or our responsible officers, licensed representatives, senior management, Directors or relevant staff may be subject to disciplinary actions taken by or penalties imposed by the regulators and our business operations, financial condition and reputation may be materially and adversely affected.

SUMMARY OF RESULTS OF OPERATIONS

Combined statements of profit or loss and other comprehensive income

The following table sets forth our combined income statements for the years indicated, as extracted from the Accountants' Report contained in Appendix I to this prospectus.

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	78,620	104,815	118,437
Other income and gains	3	3	286
Administrative and other expenses	(9,241)	(13,482)	(18,020)
Staff costs	(25,432)	(30,234)	(40,585)
Profit before income tax	43,950	61,102	60,118
Income tax expense	(8,070)	(9,977)	(11,104)
Profit and total comprehensive income for the year	35,880	51,125	49,014
<i>Non-HKFRS Measures</i>			
Profit and total comprehensive income for the year	35,880	51,125	49,014
Add:			
Listing expenses	—	—	2,070
Share-based payment expenses	—	—	730
Adjusted profit and total comprehensive income for the year ⁽¹⁾	35,880	51,125	51,814

(1) Adjusted profit and total comprehensive income for the year is derived by excluding the Listing expenses and share-based payment expenses. The term of adjusted profit and total comprehensive income is not defined under the HKFRSs. The adjusted profit and total comprehensive income for the year was presented because our Directors believe that it is an useful supplement to the combined statements of profit or loss and other comprehensive income as it reflects our profitability from our operations without taking into consideration of the non-recurring Listing expenses and share-based payment expenses. However, the adjusted profit and total comprehensive income for the year should not be considered in isolation or construed as an alternative to profit and total comprehensive income for the year

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prepared in accordance with HKFRSs, or as an alternative to cash flows as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should be aware that the adjusted profit for the year presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS OF OUR RESULTS OF OPERATIONS

The following discussion is based on the Group's historical results of operations and may not be indicative of our Group's future operating performance.

Revenue

The following table sets out the revenue generated from each of our business by segment during the Track Record Period:

	Year ended 31 March					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Corporate finance advisory services	78,582	100.0	93,108	88.8	91,596	77.3
Underwriting services	—	—	9,300	8.9	20,985	17.7
Securities dealing and brokerage services	38	—	2,405	2.3	5,560	4.7
Securities financing services	—	—	2	—	296	0.3
Total	78,620	100.0	104,815	100.0	118,437	100.0

Corporate finance advisory services

Our corporate finance advisory services include IPO sponsorship services, financial and independent financial advisory services and compliance advisory services. For the three years ended 31 March 2019, the revenue generated from our corporate finance advisory business amounted to approximately HK\$78.6 million, HK\$93.1 million and HK\$91.6 million, respectively, representing 100.0%, approximately 88.8% and 77.3% of our total revenue for the respective years. The following table sets out a breakdown of revenue generated from our corporate finance advisory business during the Track Record Period:

	Year ended 31 March					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
IPO sponsorship services	31,205	39.7	39,832	42.8	38,542	42.1
Financial advisory services	36,276	46.2	35,922	38.6	34,738	37.9
Independent financial advisory services	5,096	6.5	7,782	8.3	8,364	9.1
Compliance advisory services	6,005	7.6	9,572	10.3	9,952	10.9
Total	78,582	100.0	93,108	100.0	91,596	100.0

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During the three years ended 31 March 2019, the average revenue generated from each engagement per annum relating to (i) IPO sponsorship service was approximately HK\$1.9 million; (ii) financial advisory service was approximately HK\$0.7 million; (iii) independent financial advisory service was approximately HK\$0.2 million; and (iv) compliance advisory service was approximately HK\$0.4 million.

Underwriting services

For the three years ended 31 March 2019, the revenue generated from our underwriting business amounted to nil, approximately HK\$9.3 million and HK\$21.0 million, respectively, representing nil, approximately 8.9% and 17.7% of our total revenue for the respective years.

During the Track Record Period, we acted as global coordinator, bookrunner, lead manager or underwriter for seven completed Main Board IPO projects and nine completed GEM IPO projects. During the Track Record Period, the commission rate for us acting as (i) global coordinator, bookrunner, lead manager or underwriter for the completed Main Board IPO projects ranged from 2.0% to 10.0%; and (ii) global coordinator, bookrunner, lead manager or underwriter in the completed GEM IPO projects ranged from 3.0% to 10.0%, which was in line with the market rates and market practice.

Securities dealing and brokerage services

For the three years ended 31 March 2019, the revenue generated from our securities dealing and brokerage business, mainly includes (i) net brokerage commission after deducting commission paid to our sales team; and (ii) service fees for script handling and settlement services, account maintenance services, nominee corporate action services, investor relations and related services. Brokerage commission and other related service fee income generated for the three years ended 31 March 2019 amounted to approximately HK\$38,000, HK\$2.4 million and HK\$5.6 million, respectively, representing approximately 0.05%, 2.3% and 4.7% of our total revenue for the corresponding years.

We charge our clients brokerage commission for executing trades in securities on the secondary market based on the transaction value of each completed trading order. We generally charge our clients brokerage commission at a rate from 0.025% to 0.25%, subject to a minimum fee of HK\$10 to HK\$100. For subscribing for securities on behalf of clients under IPO offering, we generally charge our clients a brokerage commission rate of 1.0%. The sharing portion of brokerage commission of our sales team varies among each Referred Account and is determined on a case-by-case basis. During the Track Record Period, the proportion of commission paid to our sales team ranged from 50.0% to 70.0% of the amount of commission received.

Securities financing services

For the three years ended 31 March 2019, the interest income generated from our securities financing business amounted to nil, approximately HK\$2,000 and HK\$0.3 million, respectively.

During the Track Record Period, the interest rates charged by us on the outstanding balance of margin loans to our clients for purchasing securities on the secondary market ranged from Prime rate + 3% to Prime rate + 8% per annum. Prime rate is based on the Hong Kong Dollar Best Lending Rate as quoted by the Bank of China (Hong Kong) Limited and the loans to our clients for subscribing shares offered under public tranche of IPOs was up to 2.5% per annum.

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Other income and gains

Our other income and gains mainly included bank interest income and other income. The nature of the other income for the year ended 31 March 2019 mainly represented gain on disposal of assets and sublease income from Lego Finance, which has been terminated with effect as of 12 September 2019. The following table sets out a breakdown of our other income during the Track Record Period:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	3	3	18
Gain on disposal of property, plant and equipment	—	—	207
Other income	—	—	61
	3	3	61
Total	3	3	286

Administrative and other expenses

Our administrative and other expenses mainly comprised (i) operating leases, rates and utilities; (ii) depreciation of property, plant and equipment; (iii) information and communications expenses; (iv) traveling expenses; (v) professional and compliance fees; (vi) Listing expenses; and (vii) miscellaneous expenses.

The following is a breakdown of our administrative and other expenses during the Track Record Period:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases, rates and utilities	3,812	4,339	8,127
Depreciation of property, plant and equipment	921	1,390	1,458
Information and communication expenses	358	1,014	1,258
Traveling expenses	452	676	745
Professional and compliance expenses	859	1,068	1,286
Listing expenses	—	—	2,070
Miscellaneous expenses	2,839	4,995	3,076
	9,241	13,482	18,020
Total	9,241	13,482	18,020

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Operating leases, rates and utilities

Operating leases, rates and utilities mainly represented the rents of our office premises and the relevant utilities expenses such as water and electricity. The operating leases, rates and utilities accounted for approximately 41.2%, 32.2% and 45.1% of our total administrative and other expenses for the three years ended 31 March 2019, respectively.

Depreciation of property, plant and equipment

Depreciation expense is charged on our property, plant and equipment which included (i) leasehold improvements; (ii) office furniture and equipment; (iii) computer and equipment; and (iv) motor vehicles. It accounted for approximately 10.0%, 10.3% and 8.1% of our total administrative and other expenses for the three years ended 31 March 2019, respectively.

Information and communication expenses

Information and communication expenses mainly represented service fees for telephone system, internet services and securities trading system. It accounted for approximately 3.9%, 7.5% and 7.0% of our total administrative and other expenses for the three years ended 31 March 2019, respectively.

Traveling expenses

Traveling expenses mainly comprised flights and transportation expenses. It accounted for approximately 4.9%, 5.0% and 4.1% of our total administrative and other expenses for the three years ended 31 March 2019, respectively.

Professional and compliance expenses

Professional and compliance expenses mainly represented annual audit fee, secretarial fee, legal and professional fee and referral fee. For the three years ended 31 March 2019, our professional and compliance expenses accounted for approximately 9.3%, 7.9% and 7.1% of our total administrative and other expenses, respectively.

Listing expenses

We incurred Listing expenses, mainly comprising professional fees incurred in relation to Listing for the year ended 31 March 2019, which accounted for approximately 11.5% of our total administrative and other expenses for the year.

Miscellaneous expenses

Miscellaneous expenses mainly comprised office expenses, insurance expenses, printing and stationery expenses, donation, recruitment expenses, entertainment expenses and repairs and maintenance expenses. It accounted for approximately 30.7%, 37.1% and 17.1% of our total administrative and other expenses for the three years ended 31 March 2019, respectively.

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Staff costs

Our staff costs comprised (i) salaries and allowance; (ii) discretionary bonuses; (iii) contributions to mandatory provident fund for our employees; and (iv) share-based payment expenses. The following table sets out a breakdown of our staff costs during the Track Record Period:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments			
— Salaries, allowances and other benefits	4,200	4,344	4,464
— Discretionary bonuses	980	1,114	2,809
— Contributions to mandatory provident fund scheme	72	72	72
— Share-based payment expenses	2,150	—	219
Subtotal	7,402	5,530	7,564
Other staffs			
— Salaries, allowances and other benefits	10,060	16,908	22,756
— Discretionary bonuses	5,523	7,358	9,202
— Contributions to mandatory provident fund scheme	297	438	552
— Share-based payment expenses	2,150	—	511
Subtotal	18,030	24,704	33,021
Total	25,432	30,234	40,585

Given the nature of our business, staff costs represented the highest percentage to our total expense during the Track Record Period, accounting for approximately 73.3%, 69.2% and 69.3% of our total expenses for the three years ended 31 March 2019, respectively.

During the Track Record Period, our staff costs increased from approximately HK\$25.4 million for the year ended 31 March 2017 to approximately HK\$30.2 million for the year ended 31 March 2018, and to approximately HK\$40.6 million for the year ended 31 March 2019. Such increases were mainly attributable to the overall growth of our staff numbers and increment in remuneration package offered to them.

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Income tax expense

Our Company was incorporated in the Cayman Islands. As an exempted company with limited liability under the Companies Law of Cayman Islands, we are not subject to any Cayman Islands income tax. We are subject to income tax on an entity basis on profits arising from Hong Kong. As our operations are based in Hong Kong, we are subject to Hong Kong profits tax at the rate of 16.5%. For the three years ended 31 March 2019, our income tax expense amounted to approximately HK\$8.1 million, HK\$10.0 million and HK\$11.1 million, respectively.

Non-HKFRS measures

To supplement our combined financial statements which are presented in accordance with the HKFRS, we also adjusted profit/loss as an additional measure. We present these financial measures because they are used by our management to evaluate our financial performance by excluding the impact of items that we do not consider indicative to investors and others in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting period.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2018 compared with year ended 31 March 2017

Revenue

Our total revenue for the year ended 31 March 2018 was approximately HK\$104.8 million, representing an increase of approximately HK\$26.2 million or 33.3% as compared to that of approximately HK\$78.6 million for the year ended 31 March 2017. Such increase was mainly attributable to the increase in revenue generated from our corporate finance advisory business of approximately HK\$14.5 million and from our underwriting and securities dealing and brokerage businesses of approximately HK\$11.7 million.

Our financial advisory (including independent financial advisory) and compliance advisory services recorded revenue of approximately HK\$53.3 million for the year ended 31 March 2018, representing a growth of approximately HK\$5.9 million or 12.5% as compared to that of approximately HK\$47.4 million for the year ended 31 March 2017. During the year ended 31 March 2018, we were engaged in a total of 101 financial advisory and compliance advisory services, which included 48 financial advisory projects, 32 independent financial advisory projects and 21 compliance advisory projects; whereas we were engaged in a total of 93 projects in respect of financial advisory and compliance advisory services, which included 51 financial advisory projects, 26 independent financial advisory projects and 16 compliance advisory projects for the year ended 31 March 2017.

Our IPO sponsorship business recorded revenue of approximately HK\$39.8 million for the year ended 31 March 2018, representing a growth of approximately HK\$8.6 million or 27.6% as compared to that of approximately HK\$31.2 million for the year ended 31 March 2017. During the year ended 31 March 2018, we were engaged in 19 IPO sponsorship projects; whereas we were engaged in 16 IPO sponsorship projects for the year ended 31 March 2017.

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After we were admitted as the Stock Exchange Participant and a CCASS direct clearing participant in March 2017, we completed our first underwriting project in April 2017 and during the year ended 31 March 2018, we completed a total of six underwriting projects which contributed approximately HK\$9.3 million to our revenue.

During the year ended 31 March 2018, we commenced our securities financing business in December 2017 and recorded a total revenue of approximately HK\$2.4 million for our securities dealing and brokerage services as well as securities financing services.

Other income and gains

For the year ended 31 March 2018, our other income was mainly derived from bank deposit interest income. We recorded other income and gains of approximately HK\$3,000 and HK\$3,000 for the two years ended 31 March 2018, respectively.

Administrative and other expenses

Our administrative and other expenses increased from approximately HK\$9.2 million for the year ended 31 March 2017 to approximately HK\$13.5 million for the year ended 31 March 2018, representing an increase of approximately HK\$4.3 million or 45.9%. Such increase was mainly attributable to (i) increase in information and communication expenses of approximately HK\$0.7 million for additional information technology service in support of our commencement of securities business; (ii) increase in depreciation of approximately HK\$0.5 million mainly due to the increase in leasehold improvement for our new office at 3/F, China Building; and (iii) increase in miscellaneous expenses of approximately HK\$2.2 million in connection to our expansion of business and the establishment of underwriting and securities dealing and brokerage and securities financing businesses.

Staff costs

Our staff costs increased from approximately HK\$25.4 million for the year ended 31 March 2017 to approximately HK\$30.2 million for the year ended 31 March 2018, representing an increase of approximately HK\$4.8 million or 18.9%. Such increase was primarily attributable to increase of staff from 33 as at 31 March 2017 to 34 as at 31 March 2018 and increment of remuneration package of our staff as compared to the prior year.

Income tax expense

Our income tax expenses increased from approximately HK\$8.1 million for the year ended 31 March 2017 to approximately HK\$10.0 million for the year ended 31 March 2018, representing an increase of approximately HK\$1.9 million or 23.6%. The effective tax rate decreased from approximately 18.4% for the year ended 31 March 2017 to approximately 16.3% for the year ended 31 March 2018, mainly as a result of decrease in non-deductible expenses relating to share-based payment expenses. The increase in income tax expense was primarily attributable to the increase in profit before income tax, partially offset by the decrease in effective tax rate.

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Profit for the year attributable to owners of our Company

As a result of the foregoing, our profit for the year attributable to owners of our Company increased from approximately HK\$35.9 million for the year ended 31 March 2017 to approximately HK\$50.2 million for the year ended 31 March 2018, representing an increase of approximately HK\$14.3 million or 40.0%.

Year ended 31 March 2019 compared with year ended 31 March 2018

Revenue

Our total revenue for the year ended 31 March 2019 was approximately HK\$118.4 million, representing an increase of approximately HK\$13.6 million or 13.0% as compared to that of approximately HK\$104.8 million for the year ended 31 March 2018. Such increase was mainly attributable to the increase in revenue generated from our underwriting services of approximately HK\$11.7 million, notwithstanding the slight decrease in revenue generated from our corporate finance advisory services of approximately HK\$1.5 million.

Our financial advisory services, independent financial advisory services, and compliance advisory services, together recorded revenue of approximately HK\$53.1 million for the year ended 31 March 2019, representing a slight decrease of approximately HK\$0.2 million or 0.4% as compared to that of approximately HK\$53.3 million for the year ended 31 March 2018.

Our IPO sponsorship business recorded revenue of approximately HK\$38.5 million for the year ended 31 March 2019, representing a slight decrease of approximately HK\$1.3 million or 3.2% as compared to that of approximately HK\$39.8 million for the year ended 31 March 2018. During the year ended 31 March 2019, we completed three IPO sponsorship projects as compared to seven for the year ended 31 March 2018, notwithstanding the number of engagements of IPO sponsorship projects increased from 19 for the year ended 31 March 2018 to 26 for the year ended 31 March 2019.

We recorded revenue from our underwriting business of approximately HK\$21.0 million for the year ended 31 March 2019, representing a significant increase of approximately HK\$11.7 million or 125.6% as compared to that of approximately HK\$9.3 million for the year ended 31 March 2018. During the year ended 31 March 2019, we completed 10 underwriting projects; whereas we only completed six underwriting projects for the year ended 31 March 2018. Our aggregate underwriting commitment also increased from approximately HK\$111.7 million for the year ended 31 March 2018 to approximately HK\$282.0 million for the year ended 31 March 2019.

During the year ended 31 March 2019, we also recorded growth in revenue derived from securities dealing and brokerage services as well as securities financing services, which increased from approximately HK\$2.4 million for the year ended 31 March 2018 to approximately HK\$5.9 million for the year ended 31 March 2019 which was mainly due to the continued growth of our securities dealing and brokerage business and increase in the number of completed underwriting projects.

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Other income and gains

For the year ended 31 March 2019, our other income was mainly derived from bank deposit interest income and gain on disposal of asset. We recorded other income and gains of approximately HK\$3,000 and HK\$0.3 million for the years ended 31 March 2018 and 2019, respectively.

Administrative and other expenses

Our administrative and other expenses increased from approximately HK\$13.5 million for the year ended 31 March 2018 to approximately HK\$18.0 million for the year ended 31 March 2019, representing an increase of approximately HK\$4.5 million or 33.7%. Such increase was mainly attributable to (i) increase in operating leases, rates and utilities of approximately HK\$3.8 million following the leasing of our new office premises since April 2018; and (ii) Listing expenses of approximately HK\$2.1 million has been recognised for the year ended 31 March 2019.

Staff costs

Our staff costs increased from approximately HK\$30.2 million for the year ended 31 March 2018 to approximately HK\$40.6 million for the year ended 31 March 2019, representing an increase of approximately HK\$10.4 million or 34.2%. Such increase was primarily attributable to increase of number of staff from 34 as at 31 March 2018 to 47 as at 31 March 2019.

Income tax expense

Our income tax expenses increased from approximately HK\$10.0 million for the year ended 31 March 2018 to approximately HK\$11.1 million for the year ended 31 March 2019, representing an increase of approximately HK\$1.1 million or 11.3%. The effective tax rate increased from approximately 16.3% for the year ended 31 March 2018 to approximately 18.5% for the year ended 31 March 2019, mainly as a result of increase in non-deductible expense relating to Listing expenses. The increase in income tax expense was primarily attributable to the increase in effective tax rate as discussed above.

Profit for the year attributable to owners of our Company

As a result of the foregoing, our profit for the year attributable to owners of our Company decreased slightly from approximately HK\$50.2 million for the year ended 31 March 2018 to approximately HK\$49.0 million for the year ended 31 March 2019, representing a slight decrease of approximately HK\$1.2 million or 2.4%. Excluding the Listing expenses and share-based payment expenses which amounted to approximately HK\$2.1 million and HK\$0.7 million, respectively, for the year ended 31 March 2019, we recorded an adjusted increase in profit attributable to owners of our Company of approximately HK\$1.6 million from approximately HK\$50.2 million for the year ended 31 March 2018 to approximately HK\$51.8 million for the year ended 31 March 2019.

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LIQUIDITY AND CAPITAL RESOURCES

Our working capital and other capital requirements were principally satisfied by shareholders' funds and cash generated from our operations.

The following table summarises the movement of our cash for the years indicated:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at beginning of the year	7,000	27,834	35,688
Net cash generated from operating activities	47,110	51,384	36,874
Net cash used in investing activities	(2,576)	(530)	(1,405)
Net cash used in financing activities	(23,700)	(43,000)	(18,971)
 Net increase in cash and cash equivalents	 20,834	 7,854	 16,498
 Cash and cash equivalents at end of the year	 27,834	 35,688	 52,186

Cash flows from operating activities

During the Track Record Period, the cash inflows from our operating activities were primarily derived from the revenue generated from the provision of corporate finance advisory, underwriting, securities and brokerage services, whereas the cash outflows for our operating activities mainly comprised staff costs, and administrative and other expenses. Our net cash generated from operating activities primarily reflected our profit before income tax, as adjusted for non-operating items, such as depreciation, bank interest income and the effects of changes in working capital such as increase or decrease in accounts receivable, other receivables, cash and cash equivalents held on behalf of customers, accounts payable, accruals and other payable and deferred revenue.

For the year ended 31 March 2017, we had net cash generated from operating activities of approximately HK\$47.1 million. Our operating profit before working capital changes was approximately HK\$44.9 million, which was mainly contributed from profit before income tax of approximately HK\$44.0 million. Working capital changes contributed to net cash inflow of approximately HK\$2.2 million, which was primarily due to increase in accounts receivable of approximately HK\$3.1 million as we commenced our corporate finance advisory business in January 2016 and had significant lower accounts receivable as at 1 April 2016 compared to the year end; and partially offset by increase in accruals and other payables of approximately HK\$4.8 million as a result of increase in accrued discretionary bonus payable to our staff as compared to prior year.

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For the year ended 31 March 2018, we had net cash generated from operating activities of approximately HK\$51.4 million after taking into account of cash generated from operations of approximately HK\$67.5 million and income tax paid of approximately HK\$16.1 million. Our operating profit before working capital changes was approximately HK\$62.5 million, which was mainly contributed from profit before income tax of approximately HK\$61.1 million. Working capital changes contributed to net cash inflow of approximately HK\$5.0 million, which was primarily due to (i) increase in other receivables of approximately HK\$1.1 million as a result of a deposit paid for our new office premises; and (ii) increase in cash and cash equivalents — held on behalf of customers of approximately HK\$8.0 million upon our commencement of securities financing services in December 2017; and partially offset by (i) increase in accounts payable of approximately HK\$8.2 million; and (ii) increase in accruals and other payables of approximately HK\$3.8 million as a result of increase in accrued discretionary bonus payable to our staff as compared to prior year.

For the year ended 31 March 2019, we had net cash generated from operating activities of approximately HK\$36.9 million after taking into account of cash generated from operation of approximately HK\$47.6 million and income tax paid of approximately HK\$10.7 million. Our operating profit before working capital changes was approximately HK\$62.2 million, which was mainly contributed from profit before income tax of approximately HK\$60.1 million. Working capital changes contributed to net cash outflow of approximately HK\$14.6 million, which was primarily due to (i) increase in accounts receivable of approximately HK\$18.2 million as a result of the recognition of a significant amount of accounts receivable shortly before the year end which was not yet repaid as at 31 March 2019; and (ii) increase in cash and cash equivalents — held on behalf of customers of approximately HK\$10.9 million primarily attributable to the increase in the amounts placed by our cash and margin clients following their investments in new IPOs listed in early 2019; and partially offset by (i) increase in accounts payable of approximately HK\$11.8 million mainly attributable to payables placed in segregated trust accounts with Authorised Institution; and (ii) increase in deferred revenue of approximately HK\$4.5 million primarily attributable to the increase in revenue deferred to be recognised under HKFRS 15 as at 31 March 2019.

Cash flows from investing activities

During the Track Record Period, the cash used in our investing activities were primarily derived from purchase of property, plant and equipment and intangible assets, which amounted to approximately HK\$2.6 million, HK\$0.5 million and HK\$1.4 million for the three years ended 31 March 2019, respectively.

Cash flows from financing activities

During the Track Record Period, the cash inflows from our financing activities mainly included proceeds from issue of shares, while the cash outflows from our financing activities primarily represented dividend paid.

For the year ended 31 March 2017, we had net cash used in financing activities of approximately HK\$23.7 million, which was primarily attributable to dividend paid of approximately HK\$36.0 million, and partially offset by proceeds from issue of shares of approximately HK\$12.3 million.

For the year ended 31 March 2018, we had net cash used in financing activities of approximately HK\$43.0 million, which was primarily attributable to dividend paid of approximately HK\$52.0 million, and partially offset by proceeds from issue of shares of approximately HK\$9.0 million.

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For the year ended 31 March 2019, we had net cash used in financing activities of approximately HK\$19.0 million, which was primarily attributable to dividend paid of approximately HK\$24.6 million, and partially offset by proceeds from issue of shares of approximately HK\$5.6 million in aggregate.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our financial resources presently available and the estimated net proceeds from the Share Offer, we will have sufficient working capital and financial resources to meet our present requirements for at least 12 months from the date of this prospectus.

NET CURRENT ASSETS

The following table sets out a summary of our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets				
Financial assets at fair value through profit or loss	—	—	7,800	40,916
Accounts receivable	4,337	4,229	22,324	20,838
Other receivables	1,085	2,165	2,654	4,871
Amount due from ultimate holding company	141	—	—	—
Amount due from a related party	—	—	—	23
Cash and cash equivalents — held on behalf of customers	—	7,993	18,901	121,368
Cash and cash equivalents	<u>27,834</u>	<u>35,688</u>	<u>52,186</u>	<u>39,139</u>
	<u>33,397</u>	<u>50,075</u>	<u>103,865</u>	<u>227,155</u>
Current liabilities				
Accounts payable	—	8,184	19,984	121,880
Accruals and other payables	4,893	8,686	8,284	3,055
Lease liabilities	—	—	—	6,234
Amounts due to brokers	—	—	—	7,181
Other financial liabilities	—	—	8,426	17,272
Amount due to ultimate holding company	—	870	—	—
Deferred revenue	3,811	4,775	9,255	10,368
Tax payable	<u>7,692</u>	<u>1,577</u>	<u>1,950</u>	<u>4,284</u>
	<u>16,396</u>	<u>24,092</u>	<u>47,899</u>	<u>170,274</u>
Net current assets	<u><u>17,001</u></u>	<u><u>25,983</u></u>	<u><u>55,966</u></u>	<u><u>56,881</u></u>

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As at 31 March 2017, 2018 and 2019 and as at 31 July 2019, the key components of our current assets included financial assets at fair value through profit or loss, accounts receivable, other receivables, amount due from ultimate holding company, amount due from a related party, cash and cash equivalents — held on behalf of customers and cash and cash equivalents, while the key components of our current liabilities included accounts payable, accruals and other payables, lease liabilities, amounts due to brokers, other financial liabilities, amount due to ultimate holding company, deferred revenue and tax payable.

As at 31 July 2019, we had net current assets of approximately HK\$56.9 million, representing an increase of approximately HK\$0.9 million from approximately HK\$56.0 million as at 31 March 2019. The increase in our net current assets was principally due to increase in financial assets at fair value through profit or loss of approximately HK\$33.1 million, increase in cash and cash equivalents — held on behalf of customers of approximately HK\$102.5 million and decrease in accruals and other payables of approximately HK\$5.2 million, offsetting by decrease in cash and cash equivalents of approximately HK\$13.0 million, increase in accounts payable of approximately HK\$101.9 million, increase in lease liabilities of approximately HK\$6.2 million, increase in amounts due to brokers of approximately HK\$7.2 million, increase in other financial liabilities of approximately HK\$8.8 million and increase in tax payable of approximately HK\$2.3 million. Our amount due from a related party as at 31 July 2019 amounting to approximately HK\$23,000 has been fully settled as at the Latest Practicable Date.

As at 31 March 2019, we had net current assets of approximately HK\$56.0 million, representing an increase of approximately HK\$30.0 million from approximately HK\$26.0 million as at 31 March 2018. The increase in our net current assets was principally due to increase in financial assets at fair value through profit or loss of approximately HK\$7.8 million, increase in accounts receivable of approximately HK\$18.1 million, increase in cash and cash equivalents — held on behalf of customers of approximately HK\$10.9 million and increase in cash and cash equivalents of approximately HK\$16.5 million, offsetting by increase in accounts payable of approximately HK\$11.8 million and increase in other financial liabilities of approximately HK\$8.4 million.

As at 31 March 2018, we had net current assets of approximately HK\$26.0 million, representing an increase of approximately HK\$9.0 million from approximately HK\$17.0 million as at 31 March 2017. The increase in our net current assets was principally due to increase in cash and cash equivalents — held on behalf of customers of approximately HK\$8.0 million and increase in cash and cash equivalents of approximately HK\$7.9 million and decrease in tax payable of approximately HK\$6.1 million, offsetting by increase in accounts payable of approximately HK\$8.2 million and increase in accruals and other payables of approximately HK\$3.8 million.

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DESCRIPTION AND ANALYSIS OF VARIOUS ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Accounts receivable

Accounts receivable mainly included (i) receivables from clients of our corporate finance advisory services; (ii) receivables from cash clients, margin clients and clearing house which arose from our securities dealing and brokerage services; and (iii) receivables from clients of our securities financing services. The following table sets forth a breakdown of accounts receivable (net of ECL) arising from our ordinary course of business as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from:			
— Corporate finance advisory services	4,299	3,490	20,388
— Securities dealing and brokerage services	38	175	222
— Securities financing services	—	564	1,714
	4,337	4,229	22,324

Accounts receivable from corporate finance advisory services included service fees billed but not yet settled. We do not grant credit terms to our clients. We issue an invoice to our clients of corporate finance advisory services after a milestone specified under our mandate is achieved or upon completion of the transaction.

Accounts receivable from securities dealing and brokerage business as at the year end date represented the amount of securities purchased by our clients but not yet settled and would be settled in T+2.

Accounts receivable arising from margin financing business are generally secured by listed equity securities. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. As at 31 March 2017, 2018 and 2019, accounts receivable from margin clients were secured by the clients' pledged listed securities which carried a fair value of nil, approximately HK\$1.9 million and HK\$3.0 million, respectively.

As at 31 March 2019, our accounts receivable (net of ECL) arising from corporate finance advisory services amounted to approximately HK\$20.4 million. Up to the Latest Practicable Date, approximately HK\$17.0 million, representing approximately 83.4% of the aforesaid balance as at 31 March 2019 were subsequently settled.

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The following table sets forth an ageing analysis of the accounts receivable arising from corporate finance advisory services⁽¹⁾ based on invoice date (net of ECL) as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	3,275	552	12,198
31–90 days	645	2,272	4,475
91–365 days	379	666	3,579
Over 365 days	—	—	136
	4,299	3,490	20,388

(1) Ageing analysis in relation to our securities dealing and brokerage services and securities financing services are excluded as, in the opinion of our Directors, it does not give additional value in view of the business nature.

Movements in the provision for impairment of accounts receivable are as follows:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance	6	22	22
Impairment losses recognised	16	—	93
Closing balance	22	22	115

We have a policy for determining the allowance for impairment based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgement, including the change in credit quality, collateral value and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and diversified.

The loss allowance for accounts receivable related to a general provision for accounts receivable applying the simplified approach to providing for ECL prescribed by HKFRS 9. The ECL is measured based on share credit risk characteristics and the days past due according to the ageing as disclosed above. Expected loss rate of current accounts receivable are assessed to be 0.51% to 1.46% as the accounts receivable mainly represent amounts due from listed corporations and listing applicants with high credit rating and no history of default. For details, please refer to note 29 to the Accountants' Report as set out in Appendix I to this prospectus.

During the Track Record Period, save for the loss allowance provision made under HKFRS 9, no impairment loss had been provided for amounts that were past due as we considered that the clients of our corporate finance advisory business are with good financial health as most of them are listed

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companies or prospective IPO candidates with sound financial background and our Group did not encounter any material delay in settlement or non-settlement of invoices by our customers when a milestone was not achieved upon expiry of the relevant mandates or when a transaction was terminated before completion during the Track Record Period.

As at 31 March 2017, 2018 and 2019, no accounts receivable arising from securities dealing and brokerage business and securities financing business were past due and impaired.

Other receivables

The following table sets forth a breakdown of our other receivables as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	988	1,852	1,909
Prepayments	97	313	745
	1,085	2,165	2,654

The amount of our other receivables as at 31 March 2017, 2018 and 2019 mainly included deposits for operating lease and utilities, prepaid Listing expenses and operating expenses.

Cash and cash equivalents — held on behalf of customers

We maintain segregated trust accounts with an Authorised Institution to hold clients' monies arising from our securities dealing and brokerage business and securities financing business. We have classified the clients' monies as cash held on behalf of clients under the current assets section of the combined statements of financial position and recognised the corresponding accounts payable to respective clients on the grounds that we are liable for any loss or misappropriation of clients' monies. The cash and cash equivalents held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong). We commenced our securities dealing and brokerage business in March 2017 and securities financing business in December 2017 and thus did not have any cash held on behalf of clients as at 31 March 2017. As at 31 March 2018 and 2019, our cash held on behalf of customers was approximately HK\$8.0 million and HK\$18.9 million, respectively.

Cash and cash equivalents

Our cash and cash equivalent balances mainly represented cash held and bank deposits. As at 31 March 2017, 2018 and 2019, our cash and cash equivalent balances amounted to approximately HK\$27.8 million, HK\$35.7 million and HK\$52.2 million, respectively.

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Accounts payable

Accounts payable included payables arising from our securities dealing and brokerage business. The following table sets forth a breakdown of accounts payable arising from our securities dealing and brokerage business as at 31 March 2017, 2018 and 2019:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable arising from securities dealing and brokerage services			
— Cash clients	—	6,300	7,441
— Margin clients	—	1,884	12,543
	—	8,184	19,984
	—	8,184	19,984

The accounts payable arising from clearing house in respect of our securities dealing and brokerage business would be settled in T+2. The accounts payable arising from clearing house in respect of our securities dealing and brokerage services as at 31 March 2019 had been fully settled as at the Latest Practicable Date.

No ageing analysis is disclosed as, in the opinion of our Directors, such analysis does not give meaningful value in view of the nature of this business.

As at 31 March 2018 and 2019, accounts payable arising from cash and margin clients of our securities dealing and brokerage business represented amounts placed by our cash and margin clients in their segregated trust accounts and fund in transit, where amounts placed in segregated trust accounts with Authorised Institution amounted to approximately HK\$8.0 million and HK\$18.9 million respectively. There was no such accounts payable as at 31 March 2017 as we only commenced our securities dealing and brokerage business in March 2017. As at the Latest Practicable Date, approximately 31.3% and 35.0% of accounts payable arising from cash clients and margin clients as at 31 March 2019 had been settled, respectively.

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Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	4,893	6,283	8,243
Other payables	—	2,403	41
	4,893	8,686	8,284

Our accruals and other payables mainly included accruals and payables for staff discretionary bonus and operating expenses. Our accruals and other payables, increased by approximately 77.5% from approximately HK\$4.9 million as at 31 March 2017 to approximately HK\$8.7 million as at 31 March 2018. Such increase was primarily attributable to increase in accrued bonus as at 31 March 2018 as compared to as at 31 March 2017. Our accruals and other payables as at 31 March 2019 was comparable to that as at 31 March 2018.

Deferred revenue

Our deferred revenue represents service fees we charged for our corporate finance advisory services which are received or receivable from the clients but not yet recognised as revenue under HKFRS 15. Our deferred revenue amounted to approximately HK\$3.8 million, HK\$4.8 million and HK\$9.3 million as at 31 March 2017, 2018 and 2019 respectively.

INDEBTEDNESS

As at 31 July 2019, being the latest practicable date for the preparation of this indebtedness statement in this prospectus, we had the following outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities outstanding:

— Advances from margin financing Approximately HK\$7.2 million

As at 31 July 2019, our Group had unutilised credit limit of approximately HK\$14.0 million from a margin financing facility.

Our Directors confirmed that there have been no material changes in the indebtedness and contingent liabilities of our Group since 31 July 2019 and up to the Latest Practicable Date.

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Lease liabilities

Our Group has adopted HKFRS 16 “Leases” for the accounting period beginning on 1 April 2019 as stated in note 3 of the Accountants’ Report in Appendix I to this prospectus. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group’s combined statements of financial position for the accounting period beginning on 1 April 2019. Our total lease liabilities as at 31 July 2019 were approximately HK\$12.9 million.

COMMITMENTS

Operating lease commitments as lessee

At each of the dates indicated, we had commitments for future minimum lease payments in respect of office premises and machines under non-cancellable operating leases as follows:

	As at 31 March		
	2017	2018	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Within one year	3,554	5,396	6,909
One to two years	2,310	3,106	6,909
More than two years	60	3,126	2,484
	5,924	11,628	16,302

Operating lease mainly relates to office premises with lease term of three years and the rentals are fixed throughout the lease term.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements.

KEY FINANCIAL RATIOS

	Year ended/as at 31 March		
	2017	2018	2019
Net profit margin (%) ⁽¹⁾	45.6	47.9	41.4
Current ratio ⁽²⁾	2.0	2.1	2.2
Gearing ratio ⁽³⁾	—	—	—
Return on assets (%) ⁽⁴⁾	97.1	95.2	45.9
Return on equity (%) ⁽⁵⁾	174.6	175.2	83.3

(1) Net profit margin is calculated by the profit for the year attributable to owners of our Company divided by the turnover for the respective year and multiplied by 100%.

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- (2) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting year.
- (3) Gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting year.
- (4) Return on assets is calculated by the profit for the year attributable to owners of our Company divided by the total assets as at the end of each reporting year and multiplied by 100%.
- (5) Return on equity is calculated by the profit for the year attributable to owners of our Company divided by the total equity as at the end of each reporting year and multiplied by 100%.

Net profit margin

Net profit margin increased from approximately 45.6% for the year ended 31 March 2017 to approximately 47.9% for the year ended 31 March 2018 mainly resulted from the increase in revenue generated from the corporate finance advisory services, the underwriting services and securities dealing and brokerage services.

Net profit margin decreased from approximately 47.9% for the year ended 31 March 2018 to approximately 41.4% for the year ended 31 March 2019 as a result of the increase in administrative and other expenses, staff costs and Listing expenses as discussed in subsection headed “— Year to year comparison of results of operations — year ended 31 March 2019 compared with year ended 31 March 2018” above. Excluding the Listing expenses incurred for the year 31 March 2019, our Group would record net profit margin before and after interest and tax of approximately 52.5% and 43.1% for the year ended 31 March 2019, respectively.

Current ratio

Current ratio was approximately 2.0 as at 31 March 2017 and approximately 2.1 as at 31 March 2018. As at 31 March 2018, our current assets and current liabilities amounted to approximately HK\$50.1 million and HK\$24.1 million, respectively, representing an increase of approximately 49.9% and 46.9% as compared to the respective figures as at 31 March 2017, resulting in an increase in our current ratio as at 31 March 2018. The increase in current assets was mainly due to an increase in (i) cash and cash equivalents — held on behalf of customers of our securities dealing and brokerage business; and (ii) cash and cash equivalents. The increase in current liabilities was mainly due to the increase in (i) accounts payable; and (ii) accruals and other payables; and partially offset by decrease in tax payable. Current ratio of the Group remained relatively stable at approximately 2.2 as at 31 March 2019.

Gearing ratio

We did not have any borrowing as at 31 March 2017, 2018 and 2019.

Return on assets

Return on assets decreased slightly from approximately 97.1% for the year ended 31 March 2017 to approximately 95.2% for the year ended 31 March 2018. The decrease was mainly due to an increase in our total assets of approximately 42.8%, partially offset by the increase in profit for the year

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attributable to owners of our Company of approximately 40.0%. The increase in total assets was mainly due to an increase in (i) cash and cash equivalents — held on behalf of customers of our securities dealing and brokerage business; and (ii) cash and cash equivalents.

Return on assets decreased from approximately 95.2% for the year ended 31 March 2018 to approximately 45.9% for the year ended 31 March 2019. The decrease was mainly due to (i) decrease in net profit during the year ended 31 March 2019; (ii) increase in accounts receivable from approximately HK\$4.2 million as at 31 March 2018 to approximately HK\$22.3 million as at 31 March 2019 as a result of the increase in number of corporate financial advisory projects engaged towards the end of the Group's respectively financial year; and (iii) increase in cash and cash equivalents from approximately HK\$35.7 million as at 31 March 2018 to approximately HK\$52.2 million as at 31 March 2019.

Return on equity

Return on equity increased slightly from approximately 174.6% for the year ended 31 March 2017 to approximately 175.2% for the year ended 31 March 2018. The increase was mainly due to an increase in profit for the year attributable to owners of our Company of approximately 40.0% and partially offset by an increase in our equity of approximately 39.5%. The increase in our equity was mainly attributable to (i) the profit and other comprehensive income for the year; and (ii) proceeds from issue of shares; and partially offset by dividend paid.

Return on equity decreased from approximately 175.2% from the year ended 31 March 2018 to approximately 83.3% for the year ended 31 March 2019. The decrease was mainly due to (i) decrease in net profit during the year ended 31 March 2019; and (ii) increase in equity base of the Group from approximately HK\$28.7 million as at 31 March 2018 to approximately HK\$58.8 million as at 31 March 2019.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions in relation to provision of securities dealing and brokerage services and securities financing services, subscription of redeemable shares, sublease income and disposal of asset, details of which are set out in note 30 to the Accountants' Report contained in Appendix I to this prospectus. Our Directors are of the view that these related party transactions as a whole were conducted on normal commercial terms and on arm's length basis.

Having considered that the amounts of these related party transactions are relatively insignificant as compared to our Group's revenue, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

FINANCIAL INFORMATION

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management objectives and policies

The objective of our risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on our operating results and maximise shareholder's value. Our risk management strategy is to identify and analyse the various risks faced by our Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

Our major financial instruments include accounts receivable, other receivables, bank balances, cash and cash equivalents held on behalf of customers, cash and cash equivalents, accounts payable, accruals and other payables, amounts due from/to ultimate holding company and related company and tax payables. The major risks arising from our Group's financial instruments include interest rate risk, credit risk and liquidity risk. For details, please refer to note 29 of the Accountants' Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF OUR GROUP

Please see "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2020 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. Assuming the Offer Price of HK\$1.5 per Offer Share, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised, the total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$20.0 million (excluding a sponsor fee payable to Lego Corporate Finance and an underwriting commission payable to Lego Securities, which will be eliminated in our combined financial statements). Among the estimated total Listing expenses, (i) approximately HK\$8.6 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$11.4 million has been and is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$2.1 million has been recognised for the year ended 31 March 2019, and the remaining of approximately HK\$9.3 million is expected to be recognised for the year ending 31 March 2020. The estimated Listing expenses are subject to adjustments based on the actual amount of expenses incurred or to be incurred by us upon completion of the Listing.

DIVIDEND

For the three years ended 31 March 2019, we declared and paid dividend of approximately HK\$36.0 million, HK\$52.0 million and HK\$24.6 million, respectively. On 10 September 2019, our Company declared and paid dividend of HK\$6.0 million. For further details, see note 10 of the Accountants' Report as set out in Appendix I to this prospectus, respectively.

FINANCIAL INFORMATION

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for the corresponding financial year after Listing, subject to the consideration factors aforementioned.

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business.

As at 31 March 2019, our Company has no distributable reserves available for distribution to our Shareholders.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

For our recent development subsequent to the Track Record Period, see “Summary — Recent Development”.

As disclosed in “— Listing expenses” and “Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (a) Pre-IPO Share Option Scheme” in Appendix IV to this prospectus, our net profit for the years ending 31 March 2020 is expected to be materially and adversely affected by the estimated expenses in relation to the Listing and the options granted under the Pre-IPO Share Option Scheme. Therefore, prospective investors are specifically warned that given the aforesaid expenses, our financial performance for the years ending 31 March 2020 may not be comparable to that of the previous financial years.

Our Directors confirm that, save as disclosed above, since 31 March 2019 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position, and there had been no event which would materially affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon the Listing.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Business Strategies” for a detailed description of our business strategies.

REASONS FOR THE LISTING

Our Directors believe the net proceeds from the Share Offer will strengthen our financial position and will enable us to implement our business strategies as set out in “Business — Business strategies”. More importantly, we believe that the Listing and the Share Offer are beneficial to our Group and our Shareholders as a whole based on the following reasons:

- **The additional capital raised for our Company is crucial for the long-term expansion of our underwriting and securities financing businesses, which are capital intensive in nature.**

Underwriting business

Our ability to take up underwriting commitment in underwriting and placing activities depends on the availability of our capital resources and is constrained by the minimum liquid capital requirement under the FRR. Liquid capital is the amount by which a licensed corporation’s liquid assets exceeds its ranking liabilities. A licensed corporation’s liquid assets are the amount of assets that it is required to include in the calculation of its liquid capital. The value of such assets is subject to adjustments to cater for factors such as illiquidity and credit risks. A licensed corporation’s ranking liabilities are the sum of the liabilities on its balance sheet and adjustments to cater for such factors such as market risks and contingency. The amount of any net underwriting commitment is included in the calculation of ranking liabilities. According to the FRR, in general, a licensed corporation which underwrites or sub-underwrites an IPO on the Stock Exchange shall include in its ranking liabilities 15% of the net underwriting commitment. The net underwriting commitment refers to the total costs of subscribing for or purchasing securities underwritten or sub-underwritten by a licensed corporation other than (a) securities which are sub-underwritten; and (b) securities which are the subject of a legally binding contract for the subscription for or purchase of such securities, through or from that licensed corporation by another person. Currently, Lego Securities is required to maintain a minimum required liquid capital of HK\$3,000,000 at all times. As at 31 July 2019, Lego Securities had liquid capital of approximately HK\$10.3 million. Accordingly, for illustrative purpose, theoretically Lego Securities could undertake net underwriting commitment for an IPO of a maximum of approximately HK\$48.7 million at one time, while having to maintain a minimum required liquid capital of HK\$3,000,000 under the FRR (i.e. (HK\$10.3 million – (HK\$48.7 million × 15%)) = HK\$3.0 million). We intend to allocate approximately HK\$50.0 million or 56.8% of the net proceeds from the Share Offer to increase our capital base to meet the minimum liquid capital requirement under the FRR for our underwriting business. Such amount will increase the liquid capital of Lego Securities by the same amount. Accordingly, for illustrative purpose, Lego Securities could undertake net underwriting commitment for an IPO of up to approximately HK\$333.3 million at one time using such allocated net proceeds from the Share Offer (i.e. HK\$333.3 million × 15% = HK\$50.0 million).

FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period, we were not capable of undertaking a higher percentage of underwriting commitment or to take up more underwriting projects at one time as we were subject to the liquid capital requirement under the FRR. We had been offered opportunities to participate in large fund raising exercises as syndicate member with underwriting commitment of HK\$500 million and above but, after considering our financial position, we resorted to pursue a less significant role with less underwriting commitment in the projects. Further, we may be offered to participate in more than one underwriting project at the same time. If we were unable to prepare sufficient resources to meet the underwriting obligation, we may be forced to decline such underwriting opportunities. In fact, during the Track Record Period, certain of our IPO sponsorship projects completed at around the same time. For instance, Janco Holdings Limited (stock code: 8035) and IBI Group Holdings Limited (stock code: 1547) were both listed in October 2016 with an aggregate maximum fund raising size of HK\$153.0 million, while EFT Solutions Holdings Limited (stock code: 8062), HongGuang Lighting Holdings Company Limited (stock code: 8343) and WWPKG Holdings Company Limited (stock code: 8069) were all listed within a period of less than one month with an aggregate maximum fund raising size of HK\$215.0 million.

During the Track Record Period, the maximum fund raising size of our completed underwriting projects ranged between approximately HK\$64.0 million and HK\$523.8 million, while our net underwriting commitment in such projects was up to approximately HK\$153.0 million. The average percentage of our net underwriting commitment to the maximum fund raising size of the relevant projects during the Track Record Period was approximately 19.4%. Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed five underwriting projects with total underwriting commitment of approximately HK\$53.8 million. Therefore, it is crucial for us to maintain sufficient liquid capital from time to time in order to be able to seize underwriting opportunities when they arise.

Given we had been offered the opportunity to participate in large fund raising exercises, our Directors are confident that we would be able to seize underwriting business of larger scale with a strengthened capital base after Listing. With the net proceeds from the Share Offer and access to the capital market after Listing, our financial standing is expected to be improved. This will help increase customers' confidence on our financial strength and our ability to fulfil underwriting obligations. Further, we expect the expansion of our ECM team after Listing with more experienced staff and a widened ECM business network will attract opportunities for new underwriting projects and provide a new source of clients.

Securities financing business

The expansion of our securities financing business depends on the availability of our capital resources and is subject to the minimum liquid capital requirement under the FRR. For the three years ended 31 March 2019, interest income generated from our securities financing business was nil, approximately HK\$2,000, and HK\$0.3 million, respectively. During the Track Record Period, we did not actively promote our securities financing business because we had to reserve our limited liquid capital to undertake underwriting projects from time to time and we needed time to gradually recruit AEs with an existing portfolio of clients to

FUTURE PLANS AND USE OF PROCEEDS

build and establish our client network for our securities financing business. We had declined business opportunity to offer large amount of margin financing of about HK\$80.0 million due to our limited capital base.

The net proceeds from the Share Offer will increase our liquid capital so that we will be able to (a) participate in fund raising exercises with a larger fund raising scale and/or higher percentage of underwriting commitment; (b) expand our underwriting business by taking up more underwriting opportunities at one time; (c) comply with the liquid capital requirement under the FRR at the same time without relying on sub-underwriters which may in effect reduce our potential underwriting income; and (d) expand our securities financing business by offering larger amount of securities loans and extending loans to a higher number of clients at the same time.

- **Our current internal resources are insufficient to cover our funding needs.**

While our cash and cash equivalents amounted to approximately HK\$39.1 million as at 31 July 2019, after considering our current financial situation as set out below, our Directors are of the view that our current internal resources are insufficient to cover our funding needs and the net proceeds from the Share Offer are necessary for the successful implementation of our future development plans:

- *insufficient cash balance*: As at 31 July 2019, Lego Securities only had liquid capital of approximately HK\$10.3 million. Taking into consideration that (i) the fund raising size of our underwriting projects during the Track Record Period and up to the Latest Practicable Date and our net underwriting commitment in such projects; (ii) the expected fund raising size of our ongoing IPO sponsorship projects; and (iii) the increasing number of margin clients together with their requests for margin facilities, our Directors consider that we should maintain liquid capital of at least approximately HK\$25.0 million from time to time for our current business scale in order to be able to take up underwriting opportunities when they arise and at the same time continue to offer sufficient securities financing to meet our clients' needs.
- *possible operating cash outflow*: The net amount of our cash balance of approximately HK\$39.1 million as at 31 July 2019 will reduce to approximately HK\$14.1 million, after deducting the abovementioned HK\$25.0 million which will be set aside for our underwriting and securities financing businesses. Such amount is only sufficient to support our average monthly operating cash outflow including administrative expense, staff costs and tax payment for around two to three months. As at 31 July 2019, our accounts receivable arising from corporate finance advisory services were approximately HK\$19.1 million and all of which were past due. If our clients delay in settlement of our invoices, we may experience cash flow mismatch associated with the receipt of settlements from clients and payments of operating expenses. In order to ensure the smooth running of our daily operations, we therefore adopt a prudent cash management approach in maintaining our cash and cash equivalents at a target level to satisfy approximately six months of our average monthly cash outflow requirements including administrative expense, staff costs and tax payment in case of any unforeseeable event.

FUTURE PLANS AND USE OF PROCEEDS

— *lack of banking facilities:* Pursuant to the FRR, subordinated loans do not constitute ranking liabilities and hence may help increase liquid capital. During the Track Record Period and up to the Latest Practicable Date, save for the margin financing utilised by Lego Funds SPC for investment purposes, we did not obtain any banking facilities. We had in the past attempted to apply for subordinated loan facilities from bank for financing our underwriting and securities financing businesses, but were unsuccessful. To the best knowledge of our Directors, most banks are reluctant to provide subordinated loans to financial institutions. Being a private entity, it is difficult for our Group to obtain other debt financing, such as bonds and debentures.

- **Improving our financial structure.**

We have historically been relying on shareholders' equity and internally generated funds to support our operations and business development. Following the Listing, we will have access to the capital markets, providing us additional avenues for future fund raising through the issuance of equity and debt securities for business development in the long term. The Listing will enable us to have access to the equity market for fund raising both at the time of Listing with a one-off payment of Listing expenses and after Listing at a one-off transaction cost that is generally significantly lower than recurring debt financing interests that would have an adverse impact on our profit margin. Further, our ability to obtain a bank loan on more favourable terms will generally improve as a listed entity as compared to being a private entity since the interest rate and the value of the pledged security required from a listed entity are generally lower than those required from a private entity. Equity financing reduces the risk exposure as to interest rate fluctuations, enabling our Group to minimise our borrowing costs. Lastly, unlike equity financing, proceeds from debt financing are required to be repaid.

- **A public listing status will enhance our corporate profile and market position.**

With the improved financial strength after Listing, we may explore other business opportunities to diversify our revenue source, such as general offer financing. Our Directors would like to emphasis that our Company did not pursue the Listing solely for the net proceeds from the Share Offer. Instead, the Listing provides a jump board that enables us to achieve long-term benefits for our continuing development. The enhancement of our corporate position with a public listing status will certainly increase the confidence of our existing customers as well as giving us a reputation advantage in competing for new customers, which will in turn facilitate the furtherance of our business and better differentiate ourselves with the unlisted competitors. Therefore, our Directors consider the Listing exercise as a whole to be cost-effective and commercially justifiable.

- **A public listing status will help us recruit and retain high calibre personnel.**

A strong and stable team of professional staff equipped with appropriate industry knowledge and the ability to cultivate good client relationships are crucial to the continuing success of our business. The listing status will help raising staff confidence. It will improve our ability to recruit, motivate and retain our key management personnel and employees so as to expediently and effectively capture any business opportunities that may arise. The Listing will enable us to offer equity-based incentive programs, such as the Pre-IPO Investments and

FUTURE PLANS AND USE OF PROCEEDS

the Share Option Schemes, to our management and employees that more directly correlates to their performance with our business. We would therefore be in a better position to motivate our management and employees with such incentive programs that are closely aligned with the objective of creating value for our Shareholders. At the same time, the listing status and the ability to offer equity-based incentive programs will increase our attractiveness to potential talents and effectively raise our advantage over our competitors in competing for the recruitment of the best quality staffs, which we consider to be a key factor for the growth of our business.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.5 (being the mid-point of the indicative range of the Offer Price from HK\$1.3 to HK\$1.7 per Offer Share), the total net proceeds from the Share Offer (after deducting underwriting fees and related expenses in connection with the Share Offer) are estimated to be approximately HK\$88.0 million. Our Directors presently intend that the net proceeds from the Share Offer will be applied as follows:

- (i) approximately HK\$53.6 million, representing approximately 60.9% of the net proceeds from the Share Offer will be used to expand our underwriting business, of which approximately HK\$50.0 million or 56.8% of the net proceeds from the Share Offer will be used to increase our capital base to meet the minimum liquid capital requirement under the FRR and approximately HK\$3.6 million or 4.1% of the net proceeds for the Share Offer will be used to recruit talents to expand our ECM team by recruiting up to three additional staff, including one Responsible Officer of director grade and two Licensed Representatives of manager and executive grade, respectively. We will commence the recruitment process shortly after Listing and target to achieve such recruitment plan by 31 March 2020 and apply the net proceeds from the Share Offer for their annual remuneration packages.
- (ii) approximately HK\$12.0 million or 13.6% of the net proceeds from the Share Offer will be used as seed money to establish a new fund under our asset management business. We plan to launch such fund with an expected initial AUM of US\$10.0 million (equivalent to approximately HK\$77.8 million) in the first half of 2020. It is intended that the seed money will be invested into the fund in the first half of 2020. Our Group will subscribe for the shares using the seed money and become a shareholder of Lego Funds SPC of the relevant class attributable to the new segregated portfolio in Lego Funds SPC. We expect the management and performance fee rates of such fund to be around the same as that of Lego Vision Fund SP and Lego China Special Opportunities Fund SP.
- (iii) approximately HK\$8.0 million or 9.1% of the net proceeds from the Share Offer will be used to increase our capital base for the expansion of our securities financing business.
- (iv) approximately HK\$5.6 million or 6.4% of the net proceeds from the Share Offer will be used to develop our corporate finance advisory business. We intend to recruit six additional staff, including one Responsible Officer/sponsor principal and five Licensed Representatives ranging from director grade with corporate finance and/or IPO sponsorship experience to executive grade with finance, legal or accounting knowledge and/or experience after the

FUTURE PLANS AND USE OF PROCEEDS

Listing. We will commence the recruitment process shortly after Listing and target to achieve such recruitment plan by 31 March 2020 and apply the net proceeds from the Share Offer for their annual remuneration packages.

- (v) approximately HK\$8.8 million or 10.0% of the net proceeds from the Share Offer to be used for our working capital requirement and general corporate purposes.

We currently intend that the net proceeds from the Share Offer will be applied according to the following timetable:

	From the Latest Practicable Date to 31 March 2020 (HK\$'000)	For the six months ending 30 September 2020 (HK\$'000)	Total (HK\$'000)
Increase capital base for underwriting business	50,000	—	50,000
Expand ECM team	400	3,200	3,600
Invest seed money for new fund	—	12,000	12,000
Increase capital base for securities financing business	8,000	—	8,000
Expand corporate finance advisory team	600	5,000	5,600
General working capital	—	—	8,800
	59,000	20,200	88,000
Total	59,000	20,200	88,000

Assuming the Over-allotment Option is not exercised at all, if the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Share Offer will increase or decrease by approximately HK\$13.7 million, after deducting underwriting fees and related expenses. To the extent our net proceeds are either more or less than expected, we will adjust the allocation of the net proceeds for the above-mentioned purposes on a pro-rata basis.

Assuming the Over-allotment Option is exercised in full, the estimated net proceeds from the Share Offer will increase to (i) approximately HK\$89.7 million, assuming that the final Offer Price is set at the lowest point of the indicative Offer Price range; (ii) approximately HK\$101.3 million, assuming that the final Offer Price is set at the mid-point of the indicative Offer Price range; and (iii) approximately HK\$119.1 million, assuming that the final Offer Price is set at the highest point of the indicative Offer Price range.

The net proceeds will be used in the same proportions as disclosed above irrespective of: (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

FUTURE PLANS AND USE OF PROCEEDS

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including our internal resource, cash generated from our operations, debt financing and equity financing.

The possible use of our proceeds outlined above may change in light of our evolving business needs and market conditions. In the event of any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the Listing Rules.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised financial institutions in Hong Kong.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Elstone Securities Limited
Lego Securities Limited
Kingsway Financial Services Group Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Shanxi Securities International Limited
Excel Precise Securities Limited
Bonus Eventus Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 7,200,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right, in their sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners:
 - (i) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Joint Sponsors and/or the Joint Bookrunners and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Offer Documents**”) which, considered by the Joint Bookrunners in their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading or deceptive or any

UNDERWRITING

expression of opinion, intention or expectation contained in any such document is not, in the sole and absolute opinion of the Joint Bookrunners, honest, when taken as a whole; or

- (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, an omission from the Offer Documents in the context of the Share Offer; or
- (iii) either (1) there has been a material breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Joint Bookrunners, to be untrue, incorrect, inaccurate or misleading or deceptive in any material respect when given or repeated; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our executive Directors or Controlling Shareholders pursuant to the indemnity provisions under the Public Offer Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or
- (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Joint Bookrunners, untrue, incorrect, inaccurate or misleading or deceptive; or
- (vi) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme) is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any person (other than the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Offer Documents

UNDERWRITING

with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

- (b) there shall develop, occur, exist, or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong, the BVI, the Cayman Islands, or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or
 - (iii) any change in the general fund raising environment in the Relevant Jurisdictions; or
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in the Relevant Jurisdictions; or
 - (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions; or
 - (vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or

UNDERWRITING

- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors”; or
- (viii) any litigation or claim of importance being instigated against any member of our Group or any Director; or
- (ix) an executive Director being charged with an indictable offence involving dishonesty, fraud or which goes towards his/her integrity or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, judicial, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the Listing Rules, the SFO or any applicable laws, rules, regulations, guidelines, opinions (rules and regulations whether formally published or not), notices, circulars, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority (including, without limitation, the Stock Exchange and the SFC); or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting and issuing any of the Offer Shares pursuant to the terms of the Public Offer and/or the Share Offer; or
- (xiv) any material non-compliance by any member of our Group or any Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer and/or the Share Offer with the Listing Rules or any applicable laws and regulations; or
- (xv) the issue or requirement to issue by our Company of a supplement or amendment to any of the Offer Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the reasonable opinion of the Joint Sponsors and the Joint Bookrunners, adverse to the marketing for or implementation of the Share Offer; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

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- (xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being instigated against our Company or any member of our Group); or
- (xix) a petition or order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xx) a disruption in or a general moratorium on commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which, in each case or in aggregate, in the sole and absolute opinion of the Joint Bookrunners:

- (i) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his/her/its capacity; or
- (ii) has or may or will have or is likely to have a material adverse effect on the success or marketability or pricing of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer and/or the Placing on the terms and in the manner contemplated in the Underwriting Agreements, this prospectus and the Application Forms; or
- (iv) has or may or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Offer Documents and the Public Offer Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Public Offer and/or the Share Offer or pursuant to the underwriting thereof.

UNDERWRITING

Indemnity

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Undertakings to the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken irrevocably and unconditionally with the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) that, and each of our executive Directors and Controlling Shareholders has jointly and severally undertaken irrevocably and unconditionally with the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) to procure that:

- (a) except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the exercise of the Over-allotment Option, the grant of options under the Pre-IPO Share Option Scheme and the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the prior written consent of the Joint Sponsors and the Joint Bookrunners, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to our subsidiaries only, repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
 - (iv) offer to or agree or contract to or publicly announce any intention to enter into any transaction described in paragraph (i), (ii) or (iii) above,

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in each case, whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company, in cash or otherwise (whether or not the issue of the Shares or such other securities of our Company will be completed within the aforesaid period); and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any interest therein by virtue of the aforesaid exceptions or during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) that, save as pursuant to the Stock Borrowing Agreement, he/she/it will not, and will procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it will not, without the prior written consent of the Joint Sponsors and the Joint Bookrunners and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or
 - (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
 - (iv) offer to or agree or contract to or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

UNDERWRITING

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) that:

- (a) until expiry of the Second Six-Month Period, in the event that he/she/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, he/she/it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company;
- (b) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it and his/her/its close associates and companies controlled by him/her/it of any Shares or other securities of our Company; and
- (c) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, our Controlling Shareholders will:
 - (i) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/she/it is the beneficial owner, immediately inform our Company and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
 - (ii) when he/she/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Stock Exchange in writing of any such indication.

Our Company has undertaken to the Joint Sponsors, and our executive Directors and our Controlling Shareholders have undertaken to the Joint Sponsors that they will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (a), (b) or (c) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company 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 pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08(1) to (5) of the Listing Rules, which include the grant of options and the issue of Shares pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer (including the exercise of the Over-allotment Option) or unless in compliance with the requirements of the Listing Rules, he/she/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); or
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our controlling shareholder (as such term is defined in the Listing Rules).

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any Shares or other securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “— Underwriting arrangements and expenses — Public Offer — Undertakings to the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement”.

Commission and expenses

The Public Offer Underwriters will receive a commission of 9% of the aggregate Offer Price payable for the Public Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The Public Offer Underwriters will not receive any underwriting commission regarding any Offer Shares reallocated from the Placing to the Public Offer or reallocated from the Public Offer to the Placing.

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$1.5 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$20.0 million in total (assuming the Over-allotment Option is not exercised), and are payable by our Company.

INDEPENDENCE OF THE JOINT SPONSORS

TUS Corporate Finance satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Lego Corporate Finance is a subsidiary of our Company and as such it is not independent of our Company.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Lego Corporate Finance and TUS Corporate Finance are the Joint Sponsors for the listing of the Shares on the Stock Exchange.

The Share Offer comprises:

- the Public Offer of 7,200,000 Shares, subject to reallocation as mentioned below, for subscription by the public in Hong Kong as described in “— Public Offer”; and
- the Placing of 64,800,000 Shares, subject to reallocation and the Over-allotment Option as mentioned below, with selected professional, institutional and other investors as described in “— Placing”.

Up to 10,800,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in “— Over-allotment Option”.

Investors may apply for our Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for our Placing Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject: (a) applications in the Public Offer from investors who have applied for Offer Shares under the Placing; and (b) applications or indications of interest in the Placing from investors who have applied for Offer Shares under the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of our Placing Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Share Offer respectively may be subject to reallocation and, in the case of the Placing only, the Over-allotment Option as set out in “— Over-allotment Option”. References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Public Offer.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.7 per Offer Share and is expected to be not less than HK\$1.3 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

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 indicative Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.7 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,434.26 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.7, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. For further details, see “How to Apply for Public Offer Shares — 12. Refund of application monies”.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing 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 the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 20 September 2019, and in any event no later than Thursday, 26 September 2019.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on Thursday, 26 September 2019, the Share Offer will not become unconditional and will lapse immediately.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of our Company at www.legogroup.hk and the website of the Stock Exchange at www.hkexnews.hk notice of reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in “Summary” and any other financial information which may change as a result of such reduction. As soon as practicable of such reduction of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Public Offer was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of the Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Bookrunners.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, 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 Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of final Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Placing, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 27 September 2019 on the website of our Company at www.legogroup.hk and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC, will be made available through a variety of channels as described in “How to Apply for Public Offer Shares — 10. Publication of results”.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional upon, among other things:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed on the Price Determination Date;
- (c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and
- (d) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) 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 no later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse immediately and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Public Offer on the next business day following such lapse on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.legogroup.hk. In the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

event of such lapse, all application monies will be returned, without interest, on the terms set out in “How to Apply for Public Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates for the Offer Shares are expected to be issued on Friday, 27 September 2019 but will only become valid certificates of title at 8:00 a.m. on Monday, 30 September 2019 provided that: (a) the Share Offer has become unconditional in all respects; and (b) the right of termination as described in “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

The Public Offer is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunner (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Public Offer and the Placing are subject to the conditions set out in “— Conditions of the Share Offer”. The Public Offer Underwriting Agreement and the Placing Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 7,200,000 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 Share Offer (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Public Offer and the Placing, the number of Public Offer Shares will represent 1.8% of our Company’s enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer, assuming that the Over-allotment Option is not exercised. Completion of the Public Offer is subject to the conditions set out in “— Conditions of the Share Offer”. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other 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.

Allocation

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the Public Offer Shares being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size): pool A and pool B.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Pool A will comprise 3,600,000 Public Offer Shares and pool B will comprise 3,600,000 Public Offer Shares initially, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of HK\$5 million or below will fall into pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of over HK\$5 million and up to the total value of pool B will fall into pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only apply for Public Offer Shares from either pool A or pool B but not from both pools and can only receive Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 3,600,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached.

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), at their sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of Offer Shares initially available for subscription under the Public Offer, then up to 7,200,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 14,400,000 Offer Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

subscription under the Public Offer will be 21,600,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

- (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 28,800,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 36,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 7,200,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 14,400,000 Offer Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of the Public Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, the Offer Shares to be offered in the Public Offer and the Placing may in certain circumstances be reallocated as between these offerings at the discretion of the Joint Bookrunners. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer shall be not more than 14,400,000 Offer Shares, representing double of the initial allocation to the Public Offer and the final Offer Price shall be fixed at HK\$1.3 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Friday, 27 September 2019.

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If the Public Offer is not fully subscribed for, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deem appropriate to satisfy demand under the Placing.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form 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 Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.7 per Offer Share in addition to any brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK\$3,434.26 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner in “— Pricing and allocation — Determining the Offer Price”, is less than the maximum price of HK\$1.7 per Share, appropriate refund payments (including the brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. See “How to Apply for Public Offer Shares” for further details. References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

PLACING

The Placing is expected to be fully underwritten by the Placing Underwriters on a several basis. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date.

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription by our Company under the Placing will be 64,800,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the number of Placing Shares will represent 16.2% of our Company's enlarged issued share capital

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

immediately after completion of the Capitalisation Issue and the Share Offer, assuming that the Over-allotment Option is not exercised. The Placing is subject to the same conditions set out in “— Conditions of the Share Offer”.

Allocation

The Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The Placing Shares will be allocated in accordance with the book-building process described in “— Pricing and allocation — Determining the Offer Price”, and is based on several 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 achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant the Over-allotment Option to the Placing Underwriters exercisable at the sole discretion of the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters). Pursuant to the Over-allotment Option, the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) have the right, exercisable at anytime from the date of the Placing Underwriting Agreement until the 30th day after the last day for lodging application under the Public Offer, to require our Company to allot and issue up to 10,800,000 additional Shares, representing 15% of the Offer Shares initially offered under the Share Offer, at the Offer Price, to cover, among others, over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.7% of our Company’s enlarged issued share capital immediately following the completion of the Capitalisation Issue and the Share Offer and the exercise of the Over-allotment Option (without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme). In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STABILISATION ACTION

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 new securities in the secondary market, during a specified period of time to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is carried out is not permitted to exceed the Offer Price.

We have appointed Elstone Securities Limited as the Stabilising Manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or carry out transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and expected to end on the 30th day from the last day for lodging applications under the Public Offer. 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. Any market purchase 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, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity must cease on the 30th day after the last day for lodging applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 10,800,000 additional Shares in aggregate, which represents 15% of the Offer Shares initially offered under the Share Offer.

The types of stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (c) purchasing, or subscribing for, or agreeing to purchase or subscribe for, our 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 our Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (e) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising actions in Hong Kong during the stabilisation period. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, which may have an adverse impact on the market price of the Shares;
- (b) stabilising action cannot be used to support the price of the Shares for longer than the stabilising period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day from the last date for lodging applications under the Public Offer. After this date, no further stabilising action may be taken, and therefore the demand for the Shares as well as the price of the Shares, could fall;
- (c) there is no assurance that the price of the Shares will stay at or above the Offer Price either during or after the stabilising period by taking any stabilising action; and
- (d) stabilising bids may be made or transactions carried out in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions carried out at a price below the price paid by applicants or investors for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 10,800,000 additional Shares and cover such over-allocations by, among other methods, exercising the Over-allotment Option, which will be exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Manager may choose to borrow up to 10,800,000 Shares from Lego Financial Group pursuant to the Stock Borrowing Agreement. If such Stock Borrowing Agreement is entered into, it will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules, and it will only be effected by the Stabilising Manager for settlement of over allocations in the Placing.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposits, 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 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. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangement and how such arrangements will affect their rights and interests.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Monday, 30 September 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 30 September 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 3938.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; 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.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, 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 Tuesday, 17 September 2019 until 12:00 noon on Friday, 20 September 2019 from:

- (i) the following address of the Public Offer Underwriters:

Elstone Securities Limited	Suite 1601-04, 16/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Lego Securities Limited	Room 301, 3/F, China Building, 29 Queen's Road Central, Central, Hong Kong
Kingsway Financial Services Group Limited	7/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

China Galaxy International Securities (Hong Kong) Co., Limited	20/F Wing On Centre, 111 Connaught Road Central, Hong Kong
Shanxi Securities International Limited	Unit A 29/F Admiralty Center Tower 1, 18 Harcourt Road, Admiralty, Hong Kong
Excel Precise Securities Limited	Room 1315, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
Bonus Eventus Securities Limited	Room 1206, 12/F Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong

(ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

Region	Branch Name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road, Tsuen Wan, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No. 34-38 Tai Wing Lane, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 September 2019 until 12:00 noon on Friday, 20 September 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 "**ICBC (Asia) Nominee Limited — LFG Investment Holdings 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.

Tuesday, 17 September 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 18 September 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 19 September 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 20 September 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 20 September 2019, the last application day or such later time as set forth in "— 9. Effect of bad weather on the opening of the application lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth 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 only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, agents, employees, advisers, representatives and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective directors, officers, agents, employees, advisers and representatives 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 our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective directors, officers, agents, employees, advisers and representatives 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 (a) you understand that our Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for our Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept our Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any 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 have fulfilled the criteria mentioned in "— 13. Despatch/collection of Share certificates and refund monies — Personal collection" to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of our Public 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 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
- (a) 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
- (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for our Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 our Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for our Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that our Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept our Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of our Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of our Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, agents, employees, advisors, representatives and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Share Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for our Public 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 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates⁽¹⁾:

Tuesday, 17 September 2019	— 9:00 a.m. to 8:30 p.m.
Wednesday, 18 September 2019	— 8:00 a.m. to 8:30 p.m.
Thursday, 19 September 2019	— 8:00 a.m. to 8:30 p.m.
Friday, 20 September 2019	— 8:00 a.m. to 12:00 noon

Note (1): The times in this paragraph are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 17 September 2019 until 12:00 noon on Friday, 20 September 2019 (24 hours daily, except on Friday, 20 September 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 20 September 2019, the last application day or such later time as set forth in “— 9. Effect of bad weather on the opening of the application lists”.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for our Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “— Personal data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, agents, employees, advisers and representatives about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of our Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should 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 Friday, 20 September 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for our Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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).

8. HOW MUCH ARE OUR PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Form.

If your application is successful, brokerage will be paid to the Stock Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer — Pricing and allocation”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 September 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 20 September 2019 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest under the Placing, the level of applications under the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 27 September 2019 on the website of our Company at www.legogroup.hk and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the website of our Company at www.legogroup.hk and the website of the Stock Exchange at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 27 September 2019;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Friday, 27 September 2019 to 12:00 midnight on Thursday, 3 October 2019;
- by telephone enquiry line by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from Friday, 27 September 2019 to Thursday, 3 October 2019 (on a business day);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 27 September 2019 to Wednesday, 2 October 2019 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase our Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer”.

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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which our Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). Such agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- 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;
- our Company or the Joint Bookrunners 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 our Public Offer Shares initially offered under the Share Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.7 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer”, 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 Friday, 27 September 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to collection in person 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 our Public Offer Shares allotted to you (for **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 our Public Offer 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, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Friday, 27 September 2019. 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Monday, 30 September 2019 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 27 September 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for collection in person, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for collection in person, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 27 September 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more 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 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 27 September 2019, 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 CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as stated in your Application Form on Friday, 27 September 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Share Offer in the manner described in "— 10. Publication of results".

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 27 September 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of our Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 27 September 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "— 10. Publication of results" on Friday, 27 September 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 27 September 2019 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 27 September 2019 immediately following the credit of our Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 27 September 2019.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Stock Exchange Participants 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 our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LFG INVESTMENT HOLDINGS LIMITED AND TUS CORPORATE FINANCE LIMITED AND LEGO CORPORATE FINANCE LIMITED

INTRODUCTION

We report on the historical financial information of LFG Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-3 to I-43, which comprises the combined statements of financial position as at 31 March 2017, 2018 and 2019 and the statement of financial position of the Company as at 31 March 2019, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2017, 2018 and 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 September 2019 (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 "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2019, the Group's financial position as at 31 March 2017, 2018 and 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate no. P05443

Hong Kong

17 September 2019

I. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the combined financial statements of the Group for the Track Record Period. The combined financial statements of the Group have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March		
		2017	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6			
Corporate finance advisory services		78,582	93,108	91,596
Underwriting services		—	9,300	20,985
Securities dealing and brokerage services		38	2,405	5,560
Securities financing services		—	2	296
Total revenue		78,620	104,815	118,437
Other income and gains	7	3	3	286
Administrative and other expenses		(9,241)	(13,482)	(18,020)
Staff costs		(25,432)	(30,234)	(40,585)
Profit before income tax	8	43,950	61,102	60,118
Income tax expenses	9	(8,070)	(9,977)	(11,104)
Profit and total comprehensive income for the year		<u>35,880</u>	<u>51,125</u>	<u>49,014</u>
Profit for the year attributable to:				
Owners of the Company		35,880	50,236	49,014
Non-controlling interests		—	889	—
		<u>35,880</u>	<u>51,125</u>	<u>49,014</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March		
		2017	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	13	2,843	1,986	2,158
Intangible asset	14	500	500	500
Deposits with the Stock Exchange and a clearing house		205	205	205
Total non-current assets		<u>3,548</u>	<u>2,691</u>	<u>2,863</u>
Current assets				
Financial assets at fair value through profit or loss	15	—	—	7,800
Accounts receivable	16	4,337	4,229	22,324
Other receivables	17	1,085	2,165	2,654
Amount due from ultimate holding company		141	—	—
Cash and cash equivalents — held on behalf of customers	18	—	7,993	18,901
Cash and cash equivalents	19	<u>27,834</u>	<u>35,688</u>	<u>52,186</u>
Total current assets		<u>33,397</u>	<u>50,075</u>	<u>103,865</u>
Current liabilities				
Accounts payable	20	—	8,184	19,984
Accruals and other payables	21	4,893	8,686	8,284
Other financial liabilities	22	—	—	8,426
Amount due to ultimate holding company		—	870	—
Deferred revenue	6	3,811	4,775	9,255
Tax payable		<u>7,692</u>	<u>1,577</u>	<u>1,950</u>
Total current liabilities		<u>16,396</u>	<u>24,092</u>	<u>47,899</u>
Net current assets		<u>17,001</u>	<u>25,983</u>	<u>55,966</u>
Net assets		<u>20,549</u>	<u>28,674</u>	<u>58,829</u>
Equity				
Share capital	23	22,300	8	398
Reserves	24	<u>(1,751)</u>	<u>28,666</u>	<u>58,431</u>
Total equity		<u>20,549</u>	<u>28,674</u>	<u>58,829</u>

STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 March 2019 HK\$'000
Current assets		
Other receivables		<u>690</u>
Total current assets		<u>690</u>
Current liabilities		
Amounts due to subsidiaries		2,603
Accruals		<u>432</u>
Total current liabilities		<u>3,035</u>
Net current liabilities		<u>(2,345)</u>
Net liabilities		<u><u>(2,345)</u></u>
Equity		
Share capital		390
Reserves	24	<u>(2,735)</u>
Total equity		<u><u>(2,345)</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital (Note 23) HK\$'000	Share option reserve (Note 25) HK\$'000	Other reserve (Note 24) HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2016	10,000	—	—	(1,631)	8,369	—	8,369
Increase in share capital	12,300	—	—	—	12,300	—	12,300
Profit and total comprehensive income for the year	—	—	—	35,880	35,880	—	35,880
Dividends (Note 10)	—	—	—	(36,000)	(36,000)	—	(36,000)
At 31 March 2017 and 1 April 2017	22,300	—	—	(1,751)	20,549	—	20,549
Increase in share capital	9,000	—	—	—	9,000	—	9,000
Profit and total comprehensive income for the year	—	—	—	50,236	50,236	889	51,125
Dividends (Note 10)	—	—	—	(52,000)	(52,000)	—	(52,000)
Arising on reorganisation (Note 24)	(31,292)	—	31,292	889	889	(889)	—
At 31 March 2018 and 1 April 2018	8	—	31,292	(2,626)	28,674	—	28,674
Increase in share capital	390	—	—	—	390	—	390
Recognition of equity settled share- based payments (Note 25)	—	730	—	—	730	—	730
Profit and total comprehensive income for the year	—	—	—	49,014	49,014	—	49,014
Dividends (Note 10)	—	—	—	(24,600)	(24,600)	—	(24,600)
Arising on reorganisation (Note 24)	—	—	4,621	—	4,621	—	4,621
At 31 March 2019	<u>398</u>	<u>730</u>	<u>35,913</u>	<u>21,788</u>	<u>58,829</u>	<u>—</u>	<u>58,829</u>

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Cash flows from operating activities				
Profit before income tax		43,950	61,102	60,118
Adjustments for:				
Depreciation of property, plant and equipment	8	921	1,390	1,458
Expected credit loss on financial assets	8	16	—	93
Gain on disposal of property, plant and equipment		—	—	(207)
Equity settled share-based payment expenses		—	—	730
Bank interest income	7	(3)	(3)	(18)
		<u>44,884</u>	<u>62,489</u>	<u>62,174</u>
Operating profit before working capital changes				
(Increase)/decrease in accounts receivable		(3,132)	108	(18,188)
Increase in other receivables		(190)	(1,080)	(489)
Decrease in amount due from ultimate holding company		—	141	—
Increase in cash and cash equivalents — held on behalf of customers		—	(7,993)	(10,908)
Increase in deferred revenue		707	964	4,480
Increase in accounts payable		—	8,184	11,800
Increase/(decrease) in accruals and other payables		4,841	3,793	(402)
Increase/(decrease) in amount due to ultimate holding company		—	870	(862)
		<u>47,110</u>	<u>67,476</u>	<u>47,605</u>
Cash generated from operations		<u>47,110</u>	<u>67,476</u>	<u>47,605</u>
Income tax paid		—	(16,092)	(10,731)
		<u>47,110</u>	<u>51,384</u>	<u>36,874</u>
Net cash generated from operating activities				
Cash flows from investing activities				
Purchase of property, plant and equipment	13	(2,079)	(533)	(2,123)
Sales proceeds from disposal of property, plant and equipment		—	—	700
Purchase of intangible asset		(500)	—	—
Bank interest received		3	3	18
		<u>(2,576)</u>	<u>(530)</u>	<u>(1,405)</u>
Net cash used in investing activities				
Cash flows from financing activities				
Proceeds from issue of shares		12,300	9,000	390
Proceeds from issue of Pre-IPO shares		—	—	4,613
Proceeds from issue of redeemable shares		—	—	626
Dividends paid		(36,000)	(52,000)	(24,600)
		<u>(23,700)</u>	<u>(43,000)</u>	<u>(18,971)</u>
Net cash used in financing activities				
Net increase in cash and cash equivalents		<u>20,834</u>	<u>7,854</u>	<u>16,498</u>
Cash and cash equivalents at beginning of the year		<u>7,000</u>	<u>27,834</u>	<u>35,688</u>
Cash and cash equivalents at end of the year		<u><u>27,834</u></u>	<u><u>35,688</u></u>	<u><u>52,186</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate information

The Company is a limited liability company incorporated in the Cayman Islands on 21 June 2018 under the Companies Law, Cap.22 of the Cayman Islands. The address of the Company's registered office and the principal place of business are disclosed in the section headed "Corporate Information" in the Prospectus. Through a group reorganisation, as more fully explained in the section headed "History, Reorganisation, and Group Structure" in the Prospectus (the "Reorganisation"), the Company becomes the holding company of the subsidiaries now comprising the Group upon completion of the Reorganisation.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in financial services as disclosed in note 1(b) to the Historical Financial Information.

(b) Reorganisation

Pursuant to a group reorganisation carried out by the Group in preparation for the proposed listing of shares of the Company on the Stock Exchange, the Company becomes the holding company of the subsidiaries now comprising the Group upon completion of the Reorganisation. Details of the Reorganisation are as set out in the section headed "History, Reorganisation, and Group Structure" in the Prospectus.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries with limited liability:

Name	Place and date of incorporation	Principal activity	Issued share capital	Percentage of equity attributable to the Company	
				Directly	Indirectly
Lego Financial Group Investment Holdings Limited ("Lego Investment Holdings") ⁽ⁱⁱ⁾	British Virgin Islands 15 March 2018	Investment holding	US\$1,024	100%	—
Lego Corporate Finance Limited ("Lego Corporate Finance") ⁽ⁱ⁾	Hong Kong 30 July 2015	Provision of corporate finance advisory services in Hong Kong	HK\$14,300,000	—	100%
Lego Securities Limited ("Lego Securities") ^{(iii), (v)}	Hong Kong 27 June 2016	Provision of brokerage and securities margin financing services in Hong Kong	HK\$26,500,000	—	100%
Lego Asset Management Limited ("Lego Asset Management") ^(iv)	Hong Kong 6 April 2017	Provision of asset management services in Hong Kong	HK\$3,120,000	—	100%
Lego Asset Management (Cayman) Limited ⁽ⁱⁱ⁾	Cayman Islands 12 February 2019	Provision of asset management services in Hong Kong	US\$1	—	100%
Lego Funds SPC Limited ⁽ⁱⁱ⁾	Cayman Islands 14 February 2019	Provision of mutual fund business	US\$100	—	100%

Notes:

- (i) The statutory financial statements for the years ended 31 March 2017, 2018 and 2019, prepared under HKFRSs, were audited by BDO Limited.
- (ii) No audited financial statements have been prepared for the subsidiary since the date of its incorporation as the subsidiary either has not carried on any business since its respective date of incorporation, or is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdictions of incorporation.
- (iii) The statutory financial statements for the period from 27 June 2016 (date of incorporation) to 31 March 2017, prepared under HKFRSs, was audited by Asian Alliance (HK) CPA Limited, a firm of certified public accountants registered in Hong Kong.
- (iv) The statutory financial statements for the period from 6 April 2017 (date of incorporation) to 31 March 2018 and for the year ended 31 March 2019 prepared under HKFRSs, were audited by BDO Limited.
- (v) The statutory financial statements for the years ended 31 March 2018 and 2019, prepared under HKFRSs, were audited by BDO Limited.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Group's business was carried out by Lego Investment Holdings and its subsidiaries which were under control of and beneficially owned by Mr. Mui Ho Cheung Gary ("Mr. Mui"), Mr. Liu Chi Wai ("Mr. Liu"), Mr. Ng Siu Hin Stanley ("Mr. Ng"), Ms. Ho Sze Man Kristie ("Ms. Ho"), Ms. Lau Pui Yu ("Ms. Lau") and Lego Financial Group Limited, the ultimate controlling shareholders of the Group (the "Controlling Shareholders"). Pursuant to the Reorganisation, Lego Investment Holdings and its subsidiaries are under the effective control of the Company, and ultimately the Controlling Shareholders. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared using the historical financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were combined using the carrying value from the perspective of the controlling shareholders. All significant intra-group transactions and balances have been eliminated in full on combination.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conforms with HKFRSs, which collective term includes HKAS and related interpretations, promulgated by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures requirement by the Rules Governing the Listing of Securities on the Stock Exchange. All HKFRSs effective for the accounting period commencing from 1 April 2016, together with the relevant transitional provisions including HKFRS 9 "Financial Instrument" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4 below.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, during the Track Record Period in the Historical Financial Information.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁵
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ Effective for business combination and assets acquisition which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

HKFRS 16 — Leases

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC)-Int 4 “Determining whether an Arrangement contain a Lease”, HK(SIC)-Int 15 “Operating Lease — Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

As at 31 March 2017, 2018 and 2019, the Group has non-cancellable operating lease commitments of approximately HK\$5,924,000, HK\$11,628,000 and HK\$16,302,000 as disclosed in note 28. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group has estimated that right-of-use assets of approximately HK\$14,878,000 and lease liabilities of approximately HK\$14,878,000 will be recognised at 1 April 2019. The directors anticipated that the initial adoption will not significantly affect the financial position and performance of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Historical Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Track Record Period.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve.

The Historical Financial Information includes the results and financial positions of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case the loss is recognised in profit or loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs 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 costs, such as repairs and maintenance are recognised as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Leasehold improvements	Over the terms of leases or 33%, whichever is shorter
Computer and equipment	20%–33%
Office furniture and equipment	20%
Motor vehicles	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(e) Intangible asset

Trading right held in the Stock Exchange is classified as an intangible asset. Trading right has an indefinite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses. The trading right has no foreseeable limit to the year over which the Group can use to generate net cash flows. As a result, the trading right is considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflows indefinitely. The trading right will not be amortised until its useful lives are determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

(f) Financial instruments***(i) Classification of financial assets and financial liabilities***

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVTPL”). The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss expected credit losses, interest income (calculated using the effective interest method). When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Expected credit losses

The expected credit loss (“ECL”) model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises the expected credit losses (“ECLs”).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-months ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising securities (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Financial liabilities at amortised cost

Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, other financial liabilities and amount due to ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(g) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying in particular performance obligation is transferred to customers.

Control of the goods or services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

(i) Corporate finance advisory services

Sponsor fee income are recognised over time because the Group has the right to be paid for work done to date if the customer were to cancel the contract before initial public offering (“IPO”) is completed. These contracts therefore satisfy the criteria for HKFRS 15.35(c) for recognising revenue over time during the IPO process.

Advisory fee income are recognised over time because the Group has the right to be paid for work done to date if the customer were to cancel the contract before advisory services are completed.

Compliance advisory services are recognised over time because customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.

(ii) Underwriting services

Underwriting fee income are recognised at a point in time when the relevant services have been rendered.

(iii) Securities dealing and brokerage services

Securities dealing and brokerage commission income are recognised at a point in time when the relevant services have been rendered.

(iv) *Securities financing services*

Interest income is recognised on a time-portion basis using the effective interest method.

(h) **Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(i) **Employee benefits**

(i) *Short term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(j) **Share-based payments**

Where equity instruments are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the equity instruments at the grant date. Such fair value is recognised in profit or loss immediately with a corresponding increase in the share based payment reserve within equity if there is no vesting condition.

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each

reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Upon exercise of share options, the amount previously recognised in share option reserve and the proceeds received net of directly attributable transaction costs up to the normal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

(k) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- intangible asset

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

(l) Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash at banks and in hand, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash at banks and in hand, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these combined financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(b) Impairment of financial assets measured at amortised cost

Management estimates the amount of loss allowance for ECL on financial assets that are measured at amortised cost based on the credit risk of the respective financial asset. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the respective financial asset. The assessment of the credit risk of the respective financial asset involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(c) Income taxes and deferred taxes

The Group is subject to taxation in Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will have impact on the income tax and/or deferred tax provisions in the period in which such determination is made.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group from external customers.

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on revenue for each type of services provided. CODM considers the business from service perspectives whereby assesses the performance of the services based on revenue generated in the course of the ordinary activities of a recurring nature of the Group.

Primarily for the years ended 31 March 2017, 2018 and 2019, the CODM considers the businesses of the Group as a whole as the Group is engaged in corporate finance advisory services. Therefore the management of the Group considers that the Group only has one single operating segment. As no discrete financial information is available for identifying operating segments among different services, no further analysis of segment information is presented.

(a) Nature of services

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
Corporate finance advisory services	Acting as a sponsor to companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process. Sponsor fee income are recognised over time during the initial public offering ("IPO") process;

Acting as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or Takeovers Code. Financial advisory fee income are recognised over time during the service period;

Acting as an independent financial adviser to independent board committees and independent shareholders of listed companies in Hong Kong rendering recommendations and opinions. Independent financial advisory fee income are recognised over time during the service period; and

Acting as a compliance adviser to listed companies in Hong Kong advising them on post-listing matter. Compliance consultancy services are recognised over time during the compliance service period.

Underwriting services

Acting as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acting as an underwriter or a placing agent for secondary market transactions. Income is billed while the services are performed.

Securities dealing and brokerage services

Providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange (including equities, exchange traded products, derivative warrants, callable bull/bear contracts, real estate investment trusts and debt securities) and securities on the major exchanges in the United States; (ii) other services including script handling and settlement services, account maintenance services and nominee, corporate action, investor relations and related services. Commission income is recognised as income on a trade date basis when the services are rendered. Service fee is billed while the services are performed.

Securities financing services

Providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Transaction price allocated to the remaining performance obligations

As at 31 March 2017, 2018 and 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are approximately HK\$58,568,000, HK\$66,356,000 and HK\$92,326,000 respectively. This amount represents revenue expected to be recognised in the future from partially-completed long-term service contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 36 months.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's non-current assets (excluding financial assets) are all located in Hong Kong.

Information about major customers

During the Track Record Period, revenue from major customers who contributed over 10% of the total revenue of the Group are as follows:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Customer A ^{2,3,4,5}	11,198	28	N/A
Customer B ^{1,3,6}	N/A	15,431	N/A
Customer C ^{1,2,6,8}	N/A	2,000	16,601
Customer D ^{1,2,6,7}	N/A	2,788	15,369

Note 1: No revenue attributed from the customer for the year ended 31 March 2017.

Note 2: Revenue attributable from the customer for the year ended 31 March 2018 but less than 10% contribution on total revenue.

Note 3: No revenue attributed from the customer for the year ended 31 March 2019.

Note 4: Revenue from corporate finance advisory services for the year ended 31 March 2017.

Note 5: Revenue from securities dealing and brokerage services for the year ended 31 March 2018.

Note 6: Revenue from corporate finance advisory services for the year ended 31 March 2018.

Note 7: Revenue from underwriting services and corporate finance advisory services for the year ended 31 March 2019.

Note 8: Revenue from corporate finance advisory services for the year ended 31 March 2019.

7. OTHER INCOME AND GAINS

The Group's other income and gains recognised during the Track Record Period are as follows:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	3	3	18
Gain on disposal of property, plant and equipment	—	—	207
Other income	—	—	61
	<u>3</u>	<u>3</u>	<u>61</u>
	<u>3</u>	<u>3</u>	<u>286</u>

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	110	135	135
Depreciation of property, plant and equipment	921	1,390	1,458
Listing expenses	—	—	2,070
Expected credit loss on accounts receivable	16	—	93
Minimum lease payments under operating leases	3,120	3,554	6,908
Staff costs (including directors' remuneration):			
— Salaries, allowances and other benefits	25,063	29,724	39,159
— Equity settled share-based payment expenses	—	—	730
— Contributions to retirement benefits schemes	369	510	696
	<u>369</u>	<u>510</u>	<u>696</u>
Total staff costs	<u>25,432</u>	<u>30,234</u>	<u>40,585</u>

9. INCOME TAX EXPENSES

Hong Kong Profits Tax was provided at a rate of 16.5% on the estimated assessable profits for each of the years ended 31 March 2017, 2018 and 2019.

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax			
— Charge for the year	8,070	9,984	11,011
— (Over)/Under-provision in respect of prior years	—	(7)	93
	<u>8,070</u>	<u>9,977</u>	<u>11,104</u>
Income tax expenses	<u>8,070</u>	<u>9,977</u>	<u>11,104</u>

Reconciliation between income tax expenses and accounting profit at applicable tax rates:

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Profit before income tax	43,950	61,102	60,118
Tax at the applicable tax rates	7,252	10,082	9,919
Tax effect of non-taxable income	—	—	(3)
Tax effect of non-deductible expenses	736	1	654
Tax effect of temporary differences not recognised	(122)	176	47
Tax effect of tax losses not recognised	224	9	559
Utilisation of tax losses previously not recognised	—	(224)	—
(Over)/Under-provision in respect of prior years	—	(7)	93
Effect of tax exemption granted (<i>note i</i>)	(20)	(60)	—
Effect of two-tier tax rate (<i>note ii</i>)	—	—	(165)
Income tax expenses	<u>8,070</u>	<u>9,977</u>	<u>11,104</u>

Notes:

- (i) In accordance with the 2017–18 and 2018–19 Budgets presented by the Financial Secretary of the Government of Hong Kong, it was proposed that the Hong Kong Profits Tax for the years of assessment 2016/17 and 2017/18 be reduced by 75%, subject to a ceiling of HK\$20,000 and HK\$30,000, respectively for the years per case.
- (ii) Under the two-tiered profits tax rates regime enacted on 29 March 2018, the profits tax rate for the first HK\$2,000,000 of assessable profits will be lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance) for corporations with effect from the year of assessment 2018/19. Assessable profits above HK\$2,000,000 will continue to be subject to the rate of 16.5% for corporations. For two or more connected entities, only one of them may elect the two-tiered profits tax rates.

10. DIVIDENDS

For the years ended 31 March 2017, 2018 and 2019, dividends of HK\$36,000,000, HK\$52,000,000 and HK\$24,600,000 were declared and paid to the shareholders respectively, which was in compliance with the applicable laws.

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Track Record Period.

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The emoluments paid or payable to the directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2017					
<i>Executive directors:</i>					
Mr. Mui	—	720	—	18	738
Mr. Liu	—	1,200	400	18	1,618
Mr. Ng	—	1,200	400	18	1,618
Ms. Ho	—	3,230	180	18	3,428
	<u>—</u>	<u>6,350</u>	<u>980</u>	<u>72</u>	<u>7,402</u>
<i>Independent non-executive directors:</i>					
Ms. Lim Yan Xin Reina	—	—	—	—	—
Mr. Poon Lai Yin Michael	—	—	—	—	—
Dr. Wong Ho Ki	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Year ended 31 March 2018					
<i>Executive directors:</i>					
Mr. Mui	—	720	—	18	738
Mr. Liu	—	1,248	416	18	1,682
Mr. Ng	—	1,248	416	18	1,682
Ms. Ho	—	1,128	282	18	1,428
	<u>—</u>	<u>4,344</u>	<u>1,114</u>	<u>72</u>	<u>5,530</u>
<i>Independent non-executive directors:</i>					
Ms. Lim Yan Xin Reina	—	—	—	—	—
Mr. Poon Lai Yin Michael	—	—	—	—	—
Dr. Wong Ho Ki	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Equity settled share-based payments <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2019						
<i>Executive directors:</i>						
Mr. Mui	—	720	—	105	18	843
Mr. Liu	—	1,308	1,500	38	18	2,864
Mr. Ng	—	1,308	727	38	18	2,091
Ms. Ho	—	1,128	582	38	18	1,766
	<u>—</u>	<u>4,464</u>	<u>2,809</u>	<u>219</u>	<u>72</u>	<u>7,564</u>
<i>Independent non-executive directors:</i>						
Ms. Lim Yan Xin Reina	—	—	—	—	—	—
Mr. Poon Lai Yin Michael	—	—	—	—	—	—
Dr. Wong Ho Ki	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 March 2017, 2018 and 2019 included three directors of the Company and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals for each of the years ended 31 March 2017, 2018 and 2019 respectively are as follows:

	Year ended 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, allowances and other benefits	4,605	3,238	3,780
Equity settled share-based payment expenses	—	—	58
Contributions to retirement benefits scheme	<u>36</u>	<u>36</u>	<u>36</u>
	<u>4,641</u>	<u>3,274</u>	<u>3,874</u>

The emoluments paid to each of the above non-director highest paid individuals for each of the Track Record Period fell within the following bands:

	Year ended 31 March		
	2017 <i>Number of individuals</i>	2018 <i>Number of individuals</i>	2019 <i>Number of individuals</i>
Nil to HK\$1,000,000	—	—	—
HK\$1,000,001 to HK\$2,000,000	1	2	1
HK\$2,000,001 to HK\$4,000,000	<u>1</u>	<u>—</u>	<u>1</u>

During the Track Record Period, no emoluments was paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	Year ended 31 March		
	2017	2018	2019
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
Nil to HK\$1,000,000	1	2	4
HK\$1,000,001 to HK\$2,000,000	—	1	1
HK\$2,000,001 to HK\$4,000,000	1	—	—

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Computer and equipment <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 April 2016	1,463	713	168	—	2,344
Additions	148	830	19	1,082	2,079
At 31 March 2017 and 1 April 2017	1,611	1,543	187	1,082	4,423
Additions	500	22	11	—	533
At 31 March 2018 and 1 April 2018	2,111	1,565	198	1,082	4,956
Additions	1,551	443	129	—	2,123
Disposals	—	(17)	(1)	(1,082)	(1,100)
At 31 March 2019	3,662	1,991	326	—	5,979
Accumulated depreciation:					
At 1 April 2016	483	142	34	—	659
Provided for the year	525	145	35	216	921
At 31 March 2017 and 1 April 2017	1,008	287	69	216	1,580
Provided for the year	712	422	39	217	1,390
At 31 March 2018 and 1 April 2018	1,720	709	108	433	2,970
Provided for the year	716	512	68	162	1,458
Disposals	—	(12)	—	(595)	(607)
At 31 March 2019	2,436	1,209	176	—	3,821
Net carrying amount:					
At 31 March 2017	603	1,256	118	866	2,843
At 31 March 2018	391	856	90	649	1,986
At 31 March 2019	1,226	782	150	—	2,158

14. INTANGIBLE ASSET

	Total <i>HK\$'000</i>
Cost:	
At 1 April 2016	—
Additions	<u>500</u>
At 31 March 2017, 2018 and 2019	<u><u>500</u></u>

As at 31 March 2017, 2018 and 2019, the intangible asset comprises the trading right held in the Stock Exchange, which allow the Group to trade securities on or through the Exchange. It is considered by the Group's management as having an indefinite useful life since it is expected to generate net cash inflow indefinitely; and therefore, it is required to be tested for impairment annually and considered not impaired at the end of reporting period.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 March 2019 represented the equity securities and bonds listed in Hong Kong. Fair value of the listed equity securities and bonds has been determined by reference to their quoted bid prices at the reporting date in an active market.

16. ACCOUNTS RECEIVABLE

	Year ended 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable arising from			
— Corporate finance advisory services	4,299	3,490	20,388
— Securities dealing and brokerage services			
— Clearing house (<i>note i</i>)	—	175	24
— Other	38	—	198
— Securities financing services			
— Margin financing (<i>note ii</i>)	<u>—</u>	<u>564</u>	<u>1,714</u>
	<u><u>4,337</u></u>	<u><u>4,229</u></u>	<u><u>22,324</u></u>

Notes:

- (i) The settlement terms of accounts receivable from clearing house arising from the ordinary course of business of securities dealing and brokerage services are two days after the trade date. The balance is neither past due nor impaired.
- (ii) The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group. Based on the agreement terms with margin clients, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities as at 31 March 2017, 2018 and 2019 were nil, approximately HK\$1,891,000 and HK\$2,955,000, respectively.

No ageing analysis is disclosed as in the opinion of the directors of the Group, an ageing analysis does not give additional value to the users of this report in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and diversified.

The Group has no credit terms for its customers.

In respect of the accounts receivable arising from corporate finance advisory services, except for the accounts receivable arising from securities dealing and brokerage services and securities financing services, the ageing analysis based on invoice date (net of impairment loss) at the end of each reporting period is as follows:

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Less than 30 days	3,275	552	12,198
31–90 days	645	2,272	4,475
91–365 days	379	666	3,579
Over 365 days	—	—	136
	<u>4,299</u>	<u>3,490</u>	<u>20,388</u>

Movements in the provision for impairment of accounts receivable are as follows:

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Opening balance	6	22	22
Impairment losses recognised	<u>16</u>	<u>—</u>	<u>93</u>
Closing balance	<u>22</u>	<u>22</u>	<u>115</u>

17. OTHER RECEIVABLES

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Deposits	988	1,852	1,909
Prepayments	<u>97</u>	<u>313</u>	<u>745</u>
	<u>1,085</u>	<u>2,165</u>	<u>2,654</u>

18. CASH AND CASH EQUIVALENTS — HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated clients accounts with a recognised institution to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and cash equivalents — held on behalf of customers under the current assets section of the combined statements of financial position and recognised the corresponding accounts payable (note 20) to respective clients as it is liable for any loss or misappropriation of clients' monies. The segregated clients account balances are restricted and governed by the Hong Kong Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance.

19. CASH AND CASH EQUIVALENTS

The balances carry interest at prevailing rates which were ranging from 0.01% to 0.35% per annum as at 31 March 2017, 2018 and 2019.

20. ACCOUNTS PAYABLE

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of securities dealing and brokerage services			
— Cash clients	—	6,300	7,441
— Margin clients	—	1,884	12,543
	<u>—</u>	<u>8,184</u>	<u>19,984</u>

Notes:

- (i) The settlement terms of accounts payable attributable to dealing in securities are two days after the trade date.
- (ii) No ageing analysis is disclosed as, in the opinion of the directors of the Group, an ageing analysis is not meaningful in view of the business nature of securities dealing and brokerage services.
- (iii) As at 31 March 2017, 2018 and 2019, included in accounts payable was an amount of nil, approximately HK\$7,993,000 and HK\$18,901,000 payable to clients in respect of segregated bank balances received and held for clients in the course of the conduct of regulated activities.

21. ACCRUALS AND OTHER PAYABLES

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	4,893	6,283	8,243
Other payables	—	2,403	41
	<u>4,893</u>	<u>8,686</u>	<u>8,284</u>

22. OTHER FINANCIAL LIABILITIES

Lego Funds SPC Limited was incorporated in the Cayman Islands under the Companies Law as a segregated portfolio company with limited liability on 14 February 2019.

On 27 and 29 March 2019, subscription agreements in respect of 15,000 shares and 10,802 shares in Lego Vision Fund SP Class A were entered into by Lego Investment Holdings and Ms. Poh Lai Yoke respectively, which represent approximately 58% and 42% of issued participating shares at a consideration of approximately US\$1.5 million and US\$1.08 million, respectively.

Other financial liabilities are measured at amortised cost which represent 10,802 shares in Class A of Lego Vision Fund SP subscribed by Ms. Poh Lai Yoke on 29 March 2019 with subscription amount of approximately US\$1.08 million (equivalent to approximately HK\$8,426,000) as these financial liabilities do not meet the definition of financial liabilities at fair value under HKFRS 9 "Financial Instruments" since they are neither derivatives or financial liabilities held for trading nor designated under fair value option.

23. SHARE CAPITAL

The Company was incorporated in Cayman Islands on 21 June 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1 each. One ordinary share was issued and allotted upon incorporation.

On 21 December 2018, the authorised share capital of the Company was increased by HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Thereafter, 780 shares ordinary shares were issued and allotted. The Company then repurchased the initial share and subsequently cancelled the initial share and all 50,000 unissued shares of US\$1 each in the capital of the Company.

For the purpose of this report, the share capital presented as at 1 April 2016 represented the share capital of Lego Corporate Finance. The share capital presented as at 31 March 2017 represented the aggregate amount of paid-up capital of Lego Corporate Finance and Lego Securities. The share capital presented as at 31 March 2018 represented the share capital of Lego Investment Holdings. The share capital presented as at 31 March 2019 represented the share capital of Lego Investment Holdings and the Company.

24. RESERVES

Details of the movements of the Group's reserves are as set out in the combined statements of changes in equity on page I-6.

The following describes the nature and purpose of each reserve within owners' equity.

Reserves	Description and purpose
Share option reserve (<i>Note 25</i>)	Amortised share-based payment reserve under Pre-IPO share option scheme
Other reserve	The aggregate amount of share capital of subsidiaries comprising the Group.
Accumulated losses/retained earnings	Cumulative net gains and losses recognised in profit or loss.

Reserves of the Company:

	Share option reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 21 June 2018 (date of incorporation)	—	—	—
Loss and total comprehensive income for the period	—	(3,465)	(3,465)
Recognition of equity settled share-based payments (<i>Note 25</i>)	<u>730</u>	<u>—</u>	<u>730</u>
At 31 March 2019	<u><u>730</u></u>	<u><u>(3,465)</u></u>	<u><u>(2,735)</u></u>

25. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") in order to motivate and retain key staff of the Group for the operation and development of the Group. Eligible participants of the Pre-IPO Share Option Scheme include the Group's directors and other employees. The Pre-IPO Share Option Scheme was conditionally adopted on 6 March 2019 and conditional on the satisfaction of certain conditions within 24 months after the adoption date and, unless otherwise cancelled or amended, will remain in force until 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme.

On 6 March 2019, the Group conditionally granted 33,041,054 options to 44 grantees to subscribe for an aggregate of 33,041,054 shares under the Pre-IPO Share Option Scheme for a consideration of HK\$1 per grant. The grantees include (i) 8 connected grantees; (ii) 2 senior management; and (iii) 34 other employees of the Group. The options granted under the Pre-IPO Share Option Scheme shall vest in three years starting from the date of listing.

The estimated fair value of the options granted on the grant date is approximately HK\$9,037,000. During the year ended 31 March 2019, the Group recognised the total expense of approximately HK\$730,000 in relation to share options granted.

The fair value was calculated using the Binomial Option Pricing model. The inputs into the model were as follows:

Share options granted on 6 March 2019:

Risk-free Rate (Continuous rate)	1.69%
Share Value as at the Appraisal Date	HK\$0.46 per share
Exercise Price	HK\$0.60
Expected Tenor	8 years
Volatility	60.84%

The Binomial Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The valuation has been performed by Hong Kong Appraisal Advisory Limited, who is independent to the Group.

The following table discloses movements of the Group's share option held by the grantees:

Name and category of participant	Outstanding as at 1 April 2018	Granted during the year ended 31 March 2019	Exercised during the year ended 31 March 2019	Lapsed during the year ended 31 March 2019	Cancelled during the year ended 31 March 2019	Outstanding as at 31 March 2019
Directors						
Mr. Mui	—	4,763,452	—	—	—	4,763,452
Mr. Liu	—	1,732,165	—	—	—	1,732,165
Mr. Ng	—	1,732,165	—	—	—	1,732,165
Ms. Ho	—	1,732,165	—	—	—	1,732,165
	—	9,959,947	—	—	—	9,959,947
Employees	—	23,081,107	—	—	—	23,081,107
	—	33,041,054	—	—	—	33,041,054

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows from financing activities.

	Dividend payable <i>HK\$'000</i>
At 1 April 2016	—
Dividend declared	36,000
Dividend paid to shareholders	<u>(36,000)</u>
At 31 March 2017	—
Dividend declared	52,000
Dividend paid to shareholders	<u>(52,000)</u>
At 31 March 2018	—
Dividend declared	24,600
Dividend paid to shareholders	<u>(24,600)</u>
At 31 March 2019	<u>—</u>

27. EMPLOYEE RETIREMENT BENEFITS

The employees of the Company's subsidiaries in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees joining the Group are required to join the MPF Scheme.

Under the current rules of the MPF Scheme, employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income capped at HK\$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable by the Group at rates specified in the rules of the MPF Scheme.

As at 31 March 2017, 2018 and 2019, there were no forfeited contributions available to offset future employers' contributions to the MPF Scheme.

28. LEASES

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of offices and machines under non-cancellable leases as follows:

	As at 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	3,554	5,396	6,909
One to two years	2,310	3,106	6,909
More than two years	<u>60</u>	<u>3,126</u>	<u>2,484</u>
	<u>5,924</u>	<u>11,628</u>	<u>16,302</u>

The Group leased two offices under operating lease agreements. Lease for the property is negotiated for a term of three years.

29. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Financial assets at amortised costs			
— Accounts receivable	4,337	4,229	22,324
— Deposits	988	1,852	2,114
— Amount due from ultimate holding company	141	—	—
— Cash and cash equivalents — held on behalf of customers	—	7,993	18,901
— Cash and cash equivalents	<u>27,834</u>	<u>35,688</u>	<u>52,186</u>
	33,300	49,762	95,525
Financial assets at fair value through profit or loss	<u>—</u>	<u>—</u>	<u>7,800</u>
	<u>33,300</u>	<u>49,762</u>	<u>103,325</u>
Financial liabilities at amortised costs			
— Accounts payable	—	8,184	19,984
— Accruals and other payables	4,893	8,686	8,284
— Amount due to ultimate holding company	—	870	—
— Other financial liabilities	<u>—</u>	<u>—</u>	<u>8,426</u>
	<u>4,893</u>	<u>17,740</u>	<u>36,694</u>

(b) Financial risk management objectives and policies

The objective of the Group's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on the Group's operating results and maximise shareholder's value. The Group's risk management strategy is to identify and analyse the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

The main risks arising from the Group's financial instruments include interest rate risk, credit risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. Directors of the Group review and agree policies for managing each of these risks and they are summarised below:

(i) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

The following table details the interest rate profile of the Group at the end of each reporting period.

	2017		As at 31 March 2018		2019	
	<i>Effective interest rate</i>	<i>HK\$'000</i>	<i>Effective interest rate</i>	<i>HK\$'000</i>	<i>Effective interest rate</i>	<i>HK\$'000</i>
Assets						
Advance to customer in margin financing	Nil	—	P+3%	567	P+3%	1,714
Cash and cash equivalents	0.02%	<u>21,169</u>	0.02%	<u>30,159</u>	0.06%	<u>39,860</u>
		<u>21,169</u>		<u>30,726</u>		<u>41,574</u>

Sensitivity analysis

If the interest rates had been increased by 100 basis points at the beginning of the year and all other variables were held constant, the Group's profit after income tax and (accumulated losses)/retained earnings would increase by approximately HK\$212,000, HK\$302,000 and HK\$416,000 for the years ended 31 March 2017, 2018 and 2019 respectively. The assumed changes have no impact on the other components of equity.

The same percentage decrease in the interest rate would have the same magnitude on the Group's profit after income tax and (accumulated losses)/retained earnings as shown above but of opposite effect, on the basis that all variables remain constant.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

The sensitivity analysis included in the financial statements for the years ended 31 March 2017, 2018 and 2019 have been prepared on the same basis.

(ii) *Credit risk*

The Group's maximum exposure to credit risk is the carrying amounts of cash at bank, accounts receivable, deposits and amount due from ultimate holding company. The Group has no concentration of credit risk from third party debtors.

As at 31 March 2017, 2018 and 2019, substantially all of the Group's bank deposits were deposited with major financial institutions in Hong Kong, which management believes are of high-credit-quality without significant credit risk.

The credit risk is primarily attributable to accounts receivable. In order to minimise the credit risk on margin financing and IPO financing, the credit committee responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls in relation to the Group's securities dealing related and brokerage business. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, directors of the Group consider that credit risk of the Group is significantly reduced.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

(i) *Accounts receivable*

The Group applies the simplified approach to providing for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The Group always measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The ECLs on accounts receivable is estimated by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure. The ECLs also incorporates forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. To measure the ECLs, the accounts receivable have been grouped based on share credit risk characteristics and the days past due according to the ageing as disclosed in note 16. Expected loss rate of current accounts receivable are assessed to be 0.51% to 1.46% as the accounts receivable mainly represent amounts due from listed corporations and pre-IPO corporations with high credit rating and no history of default.

For the past due accounts receivable, due to the balances are immaterial, the management of the Group considered the loss allowance provision for these balances were immaterial. There is no change in the ECLs rate for accounts receivable during the Track Record Period mainly due to no significant change in the historical default rates of accounts receivable based on which the ECLs rate is determined. The management of the Group considered the loss allowance provision for accounts receivable was immaterial during the Track Record Period.

The provision is determined as follows:

As at 31 March 2017	Less than 30 days HKD'000	31-90 days HKD'000	91-365 days HKD'000	Over 365 days HKD'000	Total HKD'000
Expected loss rate	0.51%	0.51%	0.51%	1.46%	
Gross carrying amount	<u>3,330</u>	<u>648</u>	<u>381</u>	<u>—</u>	<u>4,359</u>
Loss allowance provision	<u>17</u>	<u>3</u>	<u>2</u>	<u>—</u>	<u>22</u>
As at 31 March 2018	Less than 30 days HKD'000	31-90 days HKD'000	91-365 days HKD'000	Over 365 days HKD'000	Total HKD'000
Expected loss rate	0.51%	0.51%	0.51%	1.46%	
Gross carrying amount	<u>1,298</u>	<u>2,284</u>	<u>669</u>	<u>—</u>	<u>4,251</u>
Loss allowance provision	<u>7</u>	<u>12</u>	<u>3</u>	<u>—</u>	<u>22</u>
As at 31 March 2019	Less than 30 days HKD'000	31-90 days HKD'000	91-365 days HKD'000	Over 365 days HKD'000	Total HKD'000
Expected loss rate	0.51%	0.51%	0.51%	1.46%	
Gross carrying amount	<u>14,206</u>	<u>4,498</u>	<u>3,597</u>	<u>138</u>	<u>22,439</u>
Loss allowance provision	<u>72</u>	<u>23</u>	<u>18</u>	<u>2</u>	<u>115</u>

As at 31 March 2017, 2018 and 2019, the fair value of accounts receivable approximated their carrying amounts. The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above.

There was no change in the ECLs rates during the Track Record Period, as no significant changes in the historical default rates of accounts receivable, economic conditions and performance, and behavior of the accounts receivable were noted, based on which the ECLs rates are determined.

(ii) Other receivables

As at 31 March 2017, 2018 and 2019, the management of the Group takes into account the historical default experience and forward-looking information, as appropriate, for example the Group considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in the Group's outstanding other receivables is insignificant. The management of the Group has assessed that other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these receivables were immaterial under the 12-months ECLs method and no loss allowance provision was recognised during the Track Record Period.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting periods of the Group's non-derivative and derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
31 March 2017						
Non-derivatives:						
Accruals and other payables	4,893	4,893	4,893	—	—	—
	<u>4,893</u>	<u>4,893</u>	<u>4,893</u>	<u>—</u>	<u>—</u>	<u>—</u>
31 March 2018						
Non-derivatives:						
Accounts payable	8,184	8,184	8,184	—	—	—
Accruals and other payables	8,686	8,686	8,686	—	—	—
Amount due to ultimate holding company	870	870	870	—	—	—
	<u>17,740</u>	<u>17,740</u>	<u>17,740</u>	<u>—</u>	<u>—</u>	<u>—</u>
31 March 2019						
Non-derivatives:						
Accounts payable	19,984	19,984	19,984	—	—	—
Accruals and other payables	8,284	8,284	8,284	—	—	—
Other financial liabilities	8,426	8,426	8,426	—	—	—
	<u>36,694</u>	<u>36,694</u>	<u>36,694</u>	<u>—</u>	<u>—</u>	<u>—</u>

*(iv) Fair value and fair value hierarchy**(a) Financial instruments not measured at fair value*

As at 31 March 2017, 2018 and 2019, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

The fair values of the financial assets and liabilities are the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and cash equivalents, accounts receivable, other receivables and deposits, accounts payable, accruals and other payables and amount due from/(to) the ultimate holding company approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

(b) *Financial instruments measured at fair value*

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and
- Level 3: unobservable inputs are inputs for which market data are not available.

The financial assets and financial liabilities measured at fair value in the combined statements of financial position are grouped into the fair value hierarchy as follows:

	As at 31 March 2019			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	3,109	—	—	3,109
— Listed bond securities	4,691	—	—	4,691
	<u>7,800</u>	<u>—</u>	<u>—</u>	<u>7,800</u>

The level in the fair value hierarchy within which the financial assets are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged for the Track Record Period.

Information about level 1 fair value measurements

For the financial assets at fair value through profit or loss, the equity and bond securities are shares of listed company and are denominated in HK\$ and US\$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(v) *Offsetting financial assets and financial liabilities*

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets subject to offsetting					
	Gross amount of recognised financial liabilities Gross amount of recognised financial assets <i>HK\$'000</i>	Related amounts not offset in the combined statements of financial position				
		offset in the combined statements of financial position position <i>HK\$'000</i>	in the combined statements of financial position position <i>HK\$'000</i>	Financial instruments other than cash collateral <i>HK\$'000</i>	Collateral received <i>HK\$'000</i>	Net amount <i>HK\$'000</i>
At 31 March 2017						
Type of financial assets						
Accounts receivable from clearing house and financial institution	—	—	—	—	—	—
At 31 March 2018						
Type of financial assets						
Accounts receivable from clearing house and financial institution	347	(172)	175	—	—	175
At 31 March 2019						
Type of financial assets						
Accounts receivable from clearing house and financial institution	1,086	(1,062)	24	—	—	24

	Financial liabilities subject to offsetting					
	Gross amount of financial liabilities recognised in the combined statements of financial position <i>HK\$'000</i>	Gross amount of financial assets offset in the combined statements of financial position <i>HK\$'000</i>	Related amounts not offset in the combined statements of financial position			Net amount of financial liabilities presented in the combined statements of financial position <i>HK\$'000</i>
Net amount of financial liabilities presented in the combined statements of financial position <i>HK\$'000</i>			Financial instruments other than cash collateral <i>HK\$'000</i>	Collateral received <i>HK\$'000</i>	Net amount <i>HK\$'000</i>	
At 31 March 2017						
Type of financial liabilities						
Accounts payable to clearing house and financial institution	—	—	—	—	—	—
At 31 March 2018						
Type of financial liabilities						
Accounts payable to clearing house and financial institution	(172)	172	—	—	—	—
At 31 March 2019						
Type of financial liabilities						
Accounts payable to clearing house and financial institution	(1,062)	1,062	—	—	—	—

The tables below reconcile the amounts of accounts receivable and accounts payable as presented in the combined statements of financial position:

Accounts receivable	As at 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net amount of accounts receivable from clearing house and financial institution	—	175	24
Accounts receivable not in the scope of offsetting disclosure	4,337	4,054	22,300
Accounts receivable as disclosed in the combined statements of financial position	4,337	4,229	22,324
Accounts payable	As at 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net amount of accounts payable from clearing house and financial institution	—	—	—
Accounts payable not in the scope of offsetting disclosure	—	8,184	19,984
Accounts payable as disclosed in the combined statements of financial position	—	8,184	19,984

(vi) Capital risk management

The Group's objectives of managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefits for other stakeholders, and
- to provide an adequate return to the shareholder by pricing services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt.

The Group is regulated by the Securities and Futures Commission and is required to comply with certain minimum liquid capital requirements according to the Securities and Futures Ordinance. Management monitors, on a daily basis, the Group's liquid capital to ensure they meet the minimum liquid capital requirements in accordance with the Securities and Futures (Financial Resources) Rules.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this report, the Group also had the following related party transactions during the Track Record Period:

(a) Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 12(a) to the Historical Financial Information, is as follows:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits	7,330	5,458	7,273
Equity settled share-based payment expenses	—	—	219
Contributions to retirement benefits scheme	72	72	72
	<u>7,402</u>	<u>5,530</u>	<u>7,564</u>

(b) Related party transactions

Name of related parties	Nature of transaction	Year ended 31 March		
		2017	2018	2019
		HK\$'000	HK\$'000	HK\$'000
Mr. Mui	Brokerage and securities financing income	—	—	35
Ms. Poh Lai Yoke (note i)	Brokerage and securities financing income	—	—	35
Ms. Poh Lai Yoke (note i)	Subscription of redeemable shares	—	—	8,426
Bountiful Sky Limited (note ii)	Sales of asset	—	—	50
Lego Finance Limited (note iii)	Sublease income	—	—	11

Notes:

- (i) Ms. Poh Lai Yoke is the spouse of one of the senior management, Mr. Choy Kwong Wa, Christopher.
- (ii) Mr. Mui is the sole shareholder of Bountiful Sky Limited.
- (iii) Lego Finance Limited is a wholly-owned subsidiary of Lego Financial Group Limited.
- (iv) The above transactions with the related parties were negotiated and carried out in the ordinary course of business and at terms agreed between the Group and the related parties.

31. CONTINGENT LIABILITIES

As at 31 March 2017, 2018 and 2019, the Group did not have any significant contingent liabilities.

III. SUBSEQUENT EVENTS

A sale and purchase agreement dated 28 May 2019 was entered into among Mr. Mui, Lego Financial Group, Mr. Wong, the Pre-IPO Investors and the Company relating to the transfer of all the issued shares of Lego Investment Holdings from Lego Financial Group, Mr. Wong and the Pre-IPO Investors to the Company, in consideration of the Company allotting and issuing 1,090 Shares, 130 Shares and an aggregate of 48 Shares to Lego Financial Group, Mr. Wong and the Pre-IPO Investors, respectively, all credited as fully paid.

On 10 September 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 comprising 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares which rank *pari passu* in all respects with the existing Shares.

The Company declared and paid dividend of HK\$6 million on 10 September 2019.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 31 March 2019.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out to illustrate the effect of the Share Offer on our net tangible assets as at 31 March 2019 as if it had taken place on 31 March 2019. The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2019 or any future date following the Share Offer.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the combined net tangible assets of the Group as at 31 March 2019 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Combined net tangible assets of the Group as at 31 March 2019	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Share Offer Price of HK\$1.30 per Share	58,329	76,390	134,719	0.34
Based on the Share Offer Price of HK\$1.70 per Share	58,329	103,750	162,079	0.41

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The combined net tangible assets of the Group as at 31 March 2019 is compiled base on the total equity with an adjustment for intangible assets of HK\$500,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 72,000,000 Offer Shares at the Offer Price of HK\$1.30 per Offer Share or HK\$1.70 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively after deduction of the underwriting fees and remaining listing-related expenses to be incurred by the Group in connection with the Share Offer (excluding approximately HK\$2,070,000 listing related expenses which have been charged to our combined statements of profit or loss and other comprehensive income during the Track Record Period). It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2019.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 March 2019 does not take into account the dividend of HK\$6,000,000 declared and paid before the Share Offer. Had the dividend of HK\$6,000,000 declared and paid before the Share Offer been taken into account of the unaudited pro forma adjusted combined net tangible assets of the Group as at 31 March 2019 and the unaudited pro forma adjusted combined net tangible assets of the Group per Share as at 31 March 2019 would have been further adjusted to HK\$128,719,000 and HK\$156,079,000 respectively, based on Share Offer Price of HK\$0.32 and HK\$0.39 per Share.



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**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the directors of LFG Investment Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of LFG Investment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Company as at 31 March 2019 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company's prospectus dated 17 September 2019 (the "Prospectus") in connection with the proposed initial public offering of the shares of the Company (the "Proposed Public Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Public Offer on the Company's combined financial position as at 31 March 2019 as if the Proposed Public Offer had taken place at 31 March 2019. As part of this process, information about the Company's combined financial position has been extracted by the directors of the Company from the Company's financial information for each of the three years ended 31 March 2019, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company 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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company 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 Public Offer at 31 March 2019 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, 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 Company; 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.

BDO Limited
Certified Public Accountants
Hong Kong

17 September 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 June 2018 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 10 September 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars

required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an

annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and

other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (a) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (b) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide

in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; or
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting)

convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro-rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 6 June 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a

public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 June 2018. We have established our principal place of business in Hong Kong at Room 1601, 16th Floor, China Building, 29 Queen's Road Central, Hong Kong and been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 March 2019, with Ms. Lau (having her address at our principal place of business in Hong Kong) being appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Companies Law and to our constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles of our Company and relevant aspects of the Companies Law are set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of our incorporation was US\$50,000 divided into 50,000 shares of US\$1 each. Upon our incorporation, one share (the “**Subscriber Share**”) was allotted and issued for cash at par to our initial subscriber. On the same day, the Subscriber Share was transferred to Mr. Mui.

On 21 December 2018, the authorised share capital of our Company was increased by HK\$380,000 by the creation of 38,000,000 shares of HK\$0.01 each. Thereafter, our Company allotted and issued 780 Shares to Mr. Mui, credited as fully paid. Our Company then repurchased the Subscriber Share and subsequently cancelled the Subscriber Share. Thereafter, our Company cancelled all the 50,000 unissued shares of US\$1 each in the capital of our Company. As a result of the foregoing events, our Company's authorised share capital became HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each.

On 25 March 2019, Mr. Mui transferred his entire shareholding interest in our Company to Lego Financial Group at a consideration of HK\$7.8, which was determined with reference to the par value of the Shares.

Pursuant to a sale and purchase agreement dated 28 May 2019 and entered into between Mr. Mui, Lego Financial Group, Mr. Wong, the Pre-IPO Investors and our Company, Lego Financial Group, Mr. Wong and the Pre-IPO Investors transferred their respective 935 shares, 65 shares and an aggregate of 24 shares in Lego Investment Holdings, representing all the issued shares of Lego Investment Holdings, to our Company in consideration of our Company allotting and issuing 1,090 Shares to Lego Financial Group, 130 Shares to Mr. Wong and an aggregate of 48 Shares to the Pre-IPO Investors (as to 12 Shares to each of Mr. Fong Kam Hung and Mr. Lau Wan Ki, and as to eight Shares to each of Mr. Ma Ching Yan, Mr. Sung Pui Yu and Mr. Wan Wing Yui), all credited as fully paid.

On 10 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Shares.

Save as disclosed in this appendix and in “History, Reorganisation and Group Structure — Reorganisation”, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in “History, Reorganisation and Group Structure”, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Written resolutions of all the Shareholders passed on 10 September 2019

By written resolutions of all the Shareholders passed on 10 September 2019, among other things:

- (a) our Company approved and adopted the Memorandum with immediate effect and conditionally approved and adopted the Articles with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer, and the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) the Offer Price having been duly agreed on the Price Determination Date; (iii) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and (iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of a waiver of any conditions by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) 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 30 days after the date of this prospectus:

- (i) the Share Offer and the grant of the Over-allotment Option were approved and our Directors were authorised to (aa) approve the allotment and issue of the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option, on and subject to the terms and conditions thereof as set out in this prospectus; (bb) implement the Share Offer and the Listing; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary and/or appropriate;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “— Further information about our Directors and substantial Shareholders — 14. Share Option Schemes — (b) Share Option Scheme”, were approved and adopted and our Directors were authorised to approve any amendment(s) or modification(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion (but subject to the terms and conditions of the Share Option Scheme) to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the subscription rights attaching to the options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (iii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise HK\$3,279,979.52 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par 327,997,952 new Shares for allotment and issue to holders of Shares (the “**Relevant Shareholders**”) whose names appear on the register of members of our Company at the close of business on 10 September 2019 in proportion (as near as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then respective existing shareholdings in our Company or in accordance with the direction of such members and our Directors were authorised to give effect to such capitalisation and to allot and issue Shares pursuant thereto and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and the names of the Relevant Shareholders be entered in the register of members of our Company as holders of the relevant number of Shares allotted and issued to them;
- (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with, otherwise than pursuant to a rights issue, any scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of a dividend on Shares in accordance with the

Articles, or a specific authority granted by our Shareholders in general meeting, or the exercise of any subscription rights attached to any warrants or securities which are convertible into Shares or the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or any other option scheme, an aggregate number of Shares not exceeding the sum of (aa) 20% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and (bb) the aggregate number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or other stock exchange(s) on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose (the “**Repurchase Mandate**”), subject to and in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange(s), an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please refer to “History, Reorganisation and Group Structure — Reorganisation”.

6. Repurchase by our Company of our own securities

This appendix includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) 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⁽¹⁾ or by specific approval of a particular transaction.

⁽¹⁾ Pursuant to the written resolutions of all the Shareholders passed on 10 September 2019, the Repurchase Mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or other stock exchange(s) on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases of the Shares must be funded out of funds legally available for the purpose in accordance with the Articles and the Companies Law. 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.

Any repurchase(s) of the Shares by us may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person (as defined in the Listing Rules), which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or a close associate (as defined in the Listing Rules) of any of them, and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which, in the opinion of our Directors, are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing (assuming the Over-allotment Option is not exercised, no options granted under the Pre-IPO Share Option Scheme are exercised and no options are granted under the Share Option Scheme), would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, 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, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Code on Takeovers and Mergers issued by the SFC as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the deed of assignment of trademark dated 9 January 2019 entered into among Lego Financial Group (as assignor) and our Company (as assignee) pursuant to which Lego Financial Group assigned all its right and interest in relation to a trademark registered in Hong Kong, together with the goodwill, to our Company, at the consideration of HK\$1;
- (b) the sale and purchase agreement dated 28 May 2019 entered into among Mr. Mui, Lego Financial Group, Mr. Wong, the Pre-IPO Investors and our Company relating to the transfer of all the issued shares of Lego Investment Holdings from Lego Financial Group, Mr. Wong and the Pre-IPO Investors to our Company, in consideration of our Company allotting and issuing 1,090 Shares, 130 Shares and an aggregate of 48 Shares to Lego Financial Group, Mr. Wong and the Pre-IPO Investors, respectively, all credited as fully paid;
- (c) the Pre-IPO Investment Agreement;
- (d) the Deed of Indemnity; and
- (e) the Public Offer Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Trademark registration number	Name of registered owner	Place of registration	Class	Trademark registration date	Expiry date
	304051944	Our Company	Hong Kong	35, 36, 41	20 February 2017	19 February 2027

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Registration date	Expiry date
www.legogroup.hk	Lego Corporate Finance	21 August 2015	21 August 2020
www.legosecurities.hk	Lego Securities	10 December 2015	10 December 2019

Save as disclosed above, there are no trademarks, patents or other intellectual property rights which are material in relation to the business of our Group.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9. Particulars of Directors' service contracts and letters of appointment

(a) Executive Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company on 10 September 2019. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter until it is terminated by our Company or our executive Director giving to the other at least three months' prior notice in writing or otherwise in accordance with the terms and conditions of the service contract. Under the service contracts, the initial annual salary payable to our executive Directors is as follows:

Name	Amount (HK\$'000)
Mr. Mui	720
Mr. Liu	1,380
Mr. Ng	1,380
Ms. Ho	1,308

Each of our executive Directors is entitled to a discretionary bonus, which is determined by reference to, among others, the operating results of our Group and/or the performance of that executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to himself/herself.

Save as disclosed above, none of our executive Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(b) Independent non-executive Directors' letters of appointment

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 10 September 2019. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall be automatically renewed thereafter unless terminated by either party giving at least one month's prior notice in writing or otherwise in accordance with the terms and conditions of the letter of appointment. Under the letters of appointment, the annual Director's fees payable to our independent non-executive Directors are as follows:

Name	Amount <i>(HK\$'000)</i>
Ms. Lim Yan Xin Reina	180
Mr. Poon Lai Yin Michael	180
Dr. Wong Ho Ki	180

Save as disclosed above, none of our independent non-executive Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

The aggregate remuneration (including fees, salaries, discretionary bonuses, share-based payment expenses and defined contributions) paid by our Group to our Directors for the three years ended 31 March 2019 was approximately HK\$7.4 million, HK\$5.5 million and HK\$7.6 million, respectively.

Under the arrangements currently in force, the aggregate remuneration (excluding payment pursuant to any discretionary benefits or bonuses or other fringe benefits) payable by our Group to, and benefits in kind receivable by, our Directors for the year ending 31 March 2020 is estimated to be approximately HK\$5.1 million.

None of our Directors or any past directors of any member of our Group has been paid or stood to receive any sum of money for the three years ended 31 March 2019 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended 31 March 2019.

10. Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme) and the Capitalisation Issue, the interests or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares⁽¹⁾	Approximate percentage of shareholding
Mr. Mui	Interest of controlled corporation ⁽²⁾	299,492,188 (L)	74.87%

⁽¹⁾ The letter "L" denotes the person's long position in the relevant Shares.

⁽²⁾ Mr. Mui legally and beneficially owns approximately 90.38% of the issued shares of Lego Financial Group and is its sole director. Accordingly, Mr. Mui is deemed to be interested in the 299,492,188 Shares held by Lego Financial Group by virtue of the SFO.

Long position in the underlying Shares

Name	Capacity/Nature of interest	Number of underlying Shares held/interested⁽¹⁾	Approximate percentage of shareholding
Mr. Mui	Beneficial owner ⁽²⁾	4,763,452 (L)	1.19%
Mr. Liu	Beneficial owner ⁽³⁾	1,732,165 (L)	0.43%
Mr. Ng	Beneficial owner ⁽⁴⁾	1,732,165 (L)	0.43%
Ms. Ho	Beneficial owner ⁽⁵⁾	1,732,165 (L)	0.43%

⁽¹⁾ The letter “L” denotes the person’s long position in the relevant underlying Shares.

⁽²⁾ Mr. Mui is interested in the 4,763,452 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.

⁽³⁾ Mr. Liu is interested in the 1,732,165 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.

⁽⁴⁾ Mr. Ng is interested in the 1,732,165 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.

⁽⁵⁾ Ms. Ho is interested in the 1,732,165 underlying Shares which may be allotted and issued to her upon full exercise of all the options granted to her under the Pre-IPO Share Option Scheme.

Long position in the shares of our associated corporation

Name of Director	Associated corporation	Capacity/ Nature of interest	Number of shares held⁽¹⁾	Approximate percentage of shareholding in the associated corporation
Mr. Mui	Lego Financial Group	Beneficial owner	8,450 (L)	90.38%
Mr. Liu	Lego Financial Group	Beneficial owner	350 (L)	3.74%
Mr. Ng	Lego Financial Group	Beneficial owner	350 (L)	3.74%
Ms. Ho	Lego Financial Group	Beneficial owner	100 (L)	1.07%

⁽¹⁾ The letter “L” denotes the person’s long position in the relevant shares of our associated corporation.

11. Substantial Shareholders

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the

Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of Shares⁽¹⁾	Approximate percentage of shareholding
Lego Financial Group	Beneficial owner	299,492,188 (L)	74.87%
Ms. Ki Sin Yee Cindy ("Ms. Ki")	Interest of spouse ⁽²⁾	299,492,188 (L)	74.87%
Mr. Wong	Beneficial owner	20,820,312 (L)	5.21%

⁽¹⁾ The letter "L" denotes the person's long position in the relevant Shares.

⁽²⁾ Ms. Ki is the spouse of Mr. Mui and is therefore deemed to be interested in all the Shares that Mr. Mui is interested by virtue of the SFO.

Long position in the underlying Shares

Name	Capacity/Nature of interest	Number of underlying Shares held/interested⁽¹⁾	Approximate percentage of shareholding
Ms. Ki	Interest of spouse ⁽²⁾	4,763,452 (L)	1.19%

⁽¹⁾ The letter "L" denotes the person's long position in the relevant underlying Shares.

⁽²⁾ Ms. Ki is the spouse of Mr. Mui and is therefore deemed to be interested in all the underlying Shares that Mr. Mui is interested by virtue of the SFO.

12. Related party transactions

During the Track Record Period, our Group was engaged in the related party transactions as mentioned in note 30 of the Accountants' Report set out in Appendix I to this prospectus.

13. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or the chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any of our Directors or the chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in “— Other information — 21. Qualifications and consents of experts” is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in “— Other information — 21. Qualifications and consents of experts” is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed in “— Other information — 21. Qualifications and consents of experts” has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of our top five clients or any suppliers of our Group.

14. Share Option Schemes

(a) *Pre-IPO Share Option Scheme*

Introduction

Our Company has conditionally adopted the Pre-IPO Share Option Scheme, which was approved by the written resolution of the then sole Shareholder passed on 6 March 2019. The following is a summary of the principal terms of the Pre-IPO Share Option Scheme but does not form part of, nor was it intended to be, part of the Pre-IPO Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Pre-IPO Share Option Scheme.

(i) Purpose of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, certain staff of our Group who have contributed and/or will contribute to our Group, in order to motivate and retain them for the operation and development of our Group.

(ii) Who may join

The Pre-IPO Share Option Scheme is available to any individual(s) (the “**Participant(s)**”) being a full-time or part-time employee or officer (including any executive or non-executive directors but excluding independent non-executive directors) of our Company or any of our subsidiaries. Our Board shall be entitled to offer any Participant(s) who, as our Board may determine in its absolute discretion, has made and/or will make valuable contribution to the business of our Group, option(s) under the Pre-IPO Share Option Scheme.

(iii) Period of the Pre-IPO Share Option Scheme

Our Board shall be entitled but shall not be bound at any time and from time to time during the period commencing from the adoption date of the Pre-IPO Share Option Scheme to the Latest Practicable Date (the “**Scheme Period**”) to grant options to not more than 50 grantees under the Pre-IPO Share Option Scheme. No further options shall be granted under the Pre-IPO Share Option Scheme after the expiry of the Scheme Period but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Scheme Period shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

(iv) Maximum number of Shares

Subject to any adjustments described in sub-paragraph (xv) below, the maximum number of the Shares with respect to which options may be granted under the Pre-IPO Share Option Scheme shall be 34,000,000 Shares, representing 8.5% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the

Share Offer but assuming the Over-allotment Option is not exercised and excluding any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes.

(v) Subscription price for Shares

Subject to any adjustments described in sub-paragraph (xv) below, the price per Share at which a grantee may subscribe for Shares on the exercise of an option granted under the Pre-IPO Share Option Scheme (the “**Subscription Price**”) shall be HK\$0.6 per Share (excluding any commission and charges).

(vi) Acceptance of an option and personal rights to grantee

- (a) The grant shall remain open for acceptance by the grantee (in whole or in part) for a period of five days from the grant date, provided that no such grant shall be open for acceptance after the expiry of the Scheme Period or after the Pre-IPO Share Option Scheme has been terminated. A consideration of HK\$1 is payable for each acceptance of grant of option(s) which is not refundable.
- (b) An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle our Company to cancel the relevant grantee’s outstanding option(s) in whole or in part.

(vii) Exercise and vesting period

An option may be exercised in whole or in part (but if in part only, in respect of a board lot or an integral multiple thereof) and an option shall vest unto a grantee and may be exercised by the grantee during the option period (the “**Option Period**”), being a period commencing on the Listing Date and ending on 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme, and in accordance with the manner provided in the grant letter of the option issued by our Company to the grantee (the “**Grant Letter(s)**”) subject to any adjustments under sub-paragraph (xv).

All options granted under the Pre-IPO Share Option Scheme will not be exercisable prior to the Listing Date. The options may only be exercised in the following manner:

- (a) not more than 10,200,000 Shares (representing not more than 30% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing from the Listing Date and ending on the day immediately before the first anniversary of the Listing Date (the “**First Vesting Period**”);

- (b) not more than 10,200,000 Shares (representing not more than 30% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day immediately before the second anniversary of the Listing Date (the “**Second Vesting Period**”); and
- (c) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 13,600,000 Shares, representing not more than 40% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) shall vest unto the grantees and become exercisable during the period commencing on the day falling on the second anniversary of the Listing Date and ending on the day immediately before the third anniversary of the Listing Date (the “**Third Vesting Period**”). For the avoidance of doubt, any outstanding and unexercised option(s) at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period. Any outstanding and unexercised option(s) at the end of the Second Vesting Period shall be carried over to the Third Vesting Period and shall be exercisable during the Third Vesting Period and until the end of the Option Period.

(viii) Performance target

According to the rules of the Pre-IPO Share Option Scheme, the right to exercise an option is not conditional upon the achievement of any performance target, unless otherwise stated in the Grant Letter. No such performance target conditions are provided in the Grant Letters to the Grantees.

(ix) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option granted under the Pre-IPO Share Option Scheme will be subject to all the provisions of our Company’s constitutional documents for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of our Company is closed, then as at the first business day on which the register of members of our Company is re-opened (the “**Exercise Date**”) and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(x) Rights on cessation of employment

In the event of a grantee ceasing to be a Participant for any reason, other than his/her death or for any ground specified in sub-paragraph (xvii)(e) below, then, (a) any option (or any part thereof) which has not become vested and exercisable as at the date of cessation shall lapse on such date; and (b) the grantee may exercise any option (or any part thereof) to the extent exercisable as at the date of cessation and to the extent not already exercised until whichever is the earlier of the date of expiry of the Option Period of the relevant option or the last day of the period of one month following the date of such cessation, which date shall be the last actual day of employment or engagement with our Company or our relevant subsidiary whether payment in lieu of notice is made or not (if applicable).

(xi) Rights on death

In the event of a grantee of an outstanding option dies and none of the events which would be a ground for termination of his/her employment or engagement specified in sub-paragraph (xvii)(e) below has occurred, then, (a) any option (or any part thereof) which has not become vested and exercisable as at the date of the grantee's death shall lapse; and (b) the legal personal representative(s) of the grantee may exercise any option (or any part of thereof) to the extent exercisable as at the date of the grantee's death and to the extent not already exercised until whichever is the earlier of the date of expiry of the Option Period of the relevant option or the last day of the period of twelve months from the date of the grantee's death (or such longer period as our Board may determine).

(xii) Rights on a general offer

- (a) If a general offer (other than by way of scheme of arrangement) is made to all Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant option, our Company shall forthwith give notice to the grantee of an option (or his/her legal personal representative(s)) and the grantee or his/her legal personal representative(s) shall be entitled to exercise the option in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vii) above or not and to the extent not already exercised) at any time within such period as shall be notified by our Company.
- (b) If a general offer by way of a scheme of arrangement is made to all Shareholders and the scheme is approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to all grantees (or their legal personal representatives) and each grantee or legal personal representative shall be entitled to exercise the option in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vii) above or not and to the extent not already exercised) at any time within such period as shall be notified by our Company.

(xiii) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vii) above or not and to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(xiv) Rights on compromise or arrangement between our Company and our creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or our amalgamation with any other companies pursuant to the laws of the Cayman Islands, our Company shall give notice to all the grantees on the same day as it gives notice of the meeting to our members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee (or his/her legal personal representative(s)) may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two business days prior to the proposed meeting), exercise the option in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vii) above or not and to the extent not already exercised) and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as a holder thereof. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of all grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(xv) Adjustments to option

In the event of any capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction or any other alteration of the share capital of our Company, bonus issue by our Company and/or a capital distribution of an amount per Share which exceeds the profit attributable to equity holders of our Company per Share in respect of the financial

period for which such capital distribution is declared (“**Substantial Capital Distribution**”) (collectively the “**Adjustment Events**” and each an “**Adjustment Event**”), corresponding adjustments (if any) shall be made (other than an issue of Shares as consideration in respect of a transaction) in:

- (a) the number or nominal value of Shares subject to unexercised options under the Pre-IPO Share Option Scheme;
- (b) the Subscription Price in relation to each outstanding option; and/or
- (c) the method of exercise of the options,

provided that any such adjustments shall be made such that the proportion of the issued share capital of our Company to which an option entitles the grantee to subscribe after such adjustment must be the same as that to which the option entitled the grantee to subscribe immediately before such Adjustment Event, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value. Without prejudice to other provisions of the rules of the Pre-IPO Share Option Scheme, in respect of an adjustment made on a Substantial Capital Distribution, the adjustment shall follow the below formula:

Adjustment formula for adjustment made on a Substantial Capital Distribution:

$$\begin{aligned}
 \textit{Subscription Price following adjustment} &= \textit{Subscription Price immediately before Substantial Capital Distribution} - A \\
 \textit{where A} &= D - P \\
 \textit{where D} &= \textit{Substantial Capital Distribution per Share} \\
 \textit{where P} &= \textit{Profit attributable to equity holders of our Company per Share in respect of the financial period for which the Substantial Capital Distribution is declared}
 \end{aligned}$$

(For the avoidance of doubt, the number of Shares subject to the options and the method of exercise of the options following a Substantial Capital Distribution shall remain unchanged.)

In respect of any of such adjustments required to be made, other than any made on a capitalisation issue, the auditors or independent financial adviser of our Company must confirm to our Board in writing that the adjustments satisfy the foregoing requirements and fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time. The confirmation of such auditors or independent financial adviser shall (in the absence of manifest error) be final and binding on our Company and the grantees.

(xvi) Cancellation of options

Our Board may cancel any option(s) granted but not exercised on such terms as may be agreed with the relevant grantee, as our Board may in our absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xvii) Lapse of option

The right to exercise an option (to the extent not already exercised) shall terminate automatically on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the other periods referred to in sub-paragraphs (x), (xi), (xii) and (xiv) above (as applicable);
- (c) subject to sub-paragraph (xiii) above, the earliest of the close of business on the second business day prior to the general meeting referred to in sub-paragraph (xiii) or the date of commencement of the winding-up of our Company;
- (d) save as otherwise provided in sub-paragraph (xiv) above or by the court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between our Company and our members or creditors for the purposes of or in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies;
- (e) the date on which the grantee ceases to be a Participant by reason of the termination of his/her employment or office on any one or more of the grounds that he/she (aa) has been guilty of misconduct; (bb) has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally; (cc) has been convicted of any criminal offence involving his/her integrity or honesty; or (dd) (if so determined by our Board) on any other ground on which an employer or a company would be entitled to terminate his/her employment or office at common law or pursuant to any applicable laws or under the grantee's contract of employment or service with our Company or our relevant subsidiary; or
- (f) the date on which our Board exercises our Company's right to cancel the option(s) pursuant to sub-paragraph (vi)(b) above.

Our Company shall owe no liability to any grantee for the lapsed options.

(xviii) Alterations to the Pre-IPO Share Option Scheme

- (a) Subject to sub-paragraphs (xviii)(b) and (xviii)(c), the Pre-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the provisions of the Pre-IPO Share Option Scheme as to definitions of "Eligible

Persons”, “Option Holders” and “Option Period” set out therein shall not be altered to the advantage of the option holders or prospective option holders except with the prior sanction of a resolution of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the option holder as would be required of our Shareholders under our Company’s constitutional documents for the time being in force for a variation of the rights attached to our Shares.

- (b) Subject to sub-paragraph (xviii)(c), any alteration to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of options shall be approved by our Shareholders except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.
- (c) Any change to the authority of our Board in relation to any alteration to the terms of the Pre-IPO Share Option Scheme must be approved by our Shareholders.

(xix) Conditions

The Pre-IPO Share Option Scheme is conditional on the satisfaction of the following conditions within 24 months after the adoption date of the Pre-IPO Share Option Scheme:

- (a) the passing of the necessary resolutions by our Shareholder(s) to approve and adopt the Pre-IPO Share Option Scheme;
- (b) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue and the Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Schemes; and
- (c) the commencement of dealings in the Shares on the Stock Exchange.

Outstanding options granted under the Pre-IPO Share Option Scheme

On 6 March 2019, our Company conditionally granted 33,041,054 options to 44 grantees under the Pre-IPO Share Option Scheme for a consideration of HK\$1 per grant. 346,433 of such options granted to a former employee and former director of a subsidiary of our Group lapsed on 27 August 2019. The remaining 43 Grantees who have been granted an aggregate of 32,694,621 options include (i) eight Connected Grantees; (ii) two other members of our senior management team; (iii) 32 other employees of our Group; and (iv) a consultant to our Group ((iii) and (iv) are collectively referred to as the “**Other Grantees**”). The options granted under the Pre-IPO Share Option Scheme shall vest in the following manner: a part of the options shall become vested during the First Vesting Period, a part of the options shall become vested in the Second Vesting Period and the remaining part of the options shall become vested during the Third Vesting Period.

Below is a list of Grantees under the Pre-IPO Share Option Scheme:

Name of Grantee	Address	Number of options that vest in the First Vesting Period	Number of options that vest in the Second Vesting Period	Number of options that vest in the Third Vesting Period	Total number of options granted	Approximate percentage of shareholding upon the exercise of the options ⁽¹⁾
<i>Connected Grantees</i>						
Mr. Mui	Flat D, 15th Floor Tower 2, Central Park 18 Hoi Ting Road Kowloon Hong Kong	1,429,035	1,429,035	1,905,382	4,763,452	1.19%
Mr. Liu	Flat F, 67th Floor Tower 1, Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	519,649	519,649	692,867	1,732,165	0.43%
Mr. Ng	Flat A, 8th Floor, Block 2 Castello Siu Lek Yuen Road Shatin, New Territories Hong Kong	519,649	519,649	692,867	1,732,165	0.43%
Ms. Ho	Flat A, 23rd Floor Tower 3, Island Garden 33 Chai Wan Road Shau Kei Wan Hong Kong	519,649	519,649	692,867	1,732,165	0.43%
Ms. Lau	Flat F, 27th Floor Tower 3, Bellagio 33 Castle Peak Road Sham Tseng, Tsuen Wan New Territories Hong Kong	389,737	389,737	519,650	1,299,124	0.32%
Choy Kwong Wa Christopher	10th Floor, Block 33 Baguio Villa 550 Victoria Road Pokfulam, Hong Kong	389,737	389,737	519,650	1,299,124	0.32%
Li Wing Chung	Flat 610, 6th Floor Hoi Fai House Hoi Lai Estate Lai Chi Kok Kowloon Hong Kong	389,737	389,737	519,650	1,299,124	0.32%
Leung Ho Pong Ronald	Flat 20B, Tower 5 Sorrento 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	194,868	194,868	259,826	649,562	0.16%

Name of Grantee	Address	Number of options that vest in the First Vesting Period	Number of options that vest in the Second Vesting Period	Number of options that vest in the Third Vesting Period	Total number of options granted	Approximate percentage of shareholding upon the exercise of the options ⁽¹⁾
<i>Other members of our senior management team</i>						
Tang Chun Fai Billy	Flat A, 15th Floor 42 Nassau Street Mei Foo Sun Chuen Lai Chi Kok, Kowloon Hong Kong	389,737	389,737	519,650	1,299,124	0.32%
Lam Yau Lun	Flat F, 27th Floor Block 2, Bayview Garden 633 Castle Peak Road Tsuen Wan New Territories Hong Kong	103,929	103,929	138,575	346,433	0.09%
<i>Other Grantees</i>						
Fong Kam Hung	Flat A, 15th Floor Yuk Sau Building 20 Yuk Sau Street Happy Valley Hong Kong	389,737	389,737	519,650	1,299,124	0.32%
Lau Wan Ki	Flat B, 10th Floor Tower 9, The Long Beach 8 Hoi Fai Road Tai Kok Tsui Kowloon	389,737	389,737	519,650	1,299,124	0.32%
Chow Pui Kwan	Room C, 47th Floor Block 3, Sky TWR 38 Sung Wong Toi Road To Kwa Wan Kowloon	389,737	389,737	519,650	1,299,124	0.32%
Ma Ching Yan	Flat G, 8th Floor La Lumiere 9 Lee Kung Street Hung Hom Kowloon	389,737	389,737	519,650	1,299,124	0.32%
Sung Pui Yu	Flat C, 7th Floor Block 13, Parc Oasis 15 Parc Oasis Road Yau Yat Chuen Kowloon	389,737	389,737	519,650	1,299,124	0.32%
Wan Wing Yui	Flat 30H, Block 21 Park Island Ma Wan Hong Kong	389,737	389,737	519,650	1,299,124	0.32%

Name of Grantee	Address	Number of options that vest in the First Vesting Period	Number of options that vest in the Second Vesting Period	Number of options that vest in the Third Vesting Period	Total number of options granted	Approximate percentage of shareholding upon the exercise of the options ⁽¹⁾
Cheng Pui Kei	Flat B, 8th Floor Wai Sun Building 392-402 Jaffe Road Wanchai Hong Kong	194,868	194,868	259,826	649,562	0.16%
Wang Zijun	Flat 9C, Conwell Mansion 129 Wharf Road North Point Hong Kong	194,868	194,868	259,826	649,562	0.16%
Tsai Wan Chun	12th Floor, No. 4 Lane 107 Section 3 Minsheng East Road Songsan District Taipei, Taiwan	194,868	194,868	259,826	649,562	0.16%
So Lai Shan Jennifer	Flat C, 11th Floor Kingsway Garden 8 Kin Wah Street North Point Hong Kong	194,868	194,868	259,826	649,562	0.16%
Tsang Tsz Man	Room B3103, 31st Floor King On House Shan King Estate Tuen Mun New Territories	103,929	103,929	138,575	346,433	0.09%
Au-Yeung Wing Sum	Flat E, 5th Floor Block C, Chong Yip Centre 423-425 Queen's Road West Western District Hong Kong	103,929	103,929	138,575	346,433	0.09%
Chan Wai Kit Billy	Room 1906, 19th Floor Ka Sing House Ka Lung Court Aberdeen Hong Kong	103,929	103,929	138,575	346,433	0.09%
Kong Yuk Yu	Room 2302, Hin Hing House Hin Keng Estate Shatin New Territories	103,929	103,929	138,575	346,433	0.09%
Hung Chiu Fai	Unit 3A, Block 12A Provident Centre 45 Wharf Road North Point Hong Kong	103,929	103,929	138,575	346,433	0.09%

Name of Grantee	Address	Number of options that vest in the First Vesting Period	Number of options that vest in the Second Vesting Period	Number of options that vest in the Third Vesting Period	Total number of options granted	Approximate percentage of shareholding upon the exercise of the options ⁽¹⁾
Yau Tsz Ching	Flat E, 20th Floor Block 38 11 Lok Shing Street City One Shatin Shatin New Territories	103,929	103,929	138,575	346,433	0.09%
Law Ka Lin Louies	Flat A, 1st Floor Block 3, Tivoli Garden Tsing Yi New Territories	103,929	103,929	138,575	346,433	0.09%
Chu Man Lok	Flat I, 16th Floor Yuet Ming Building 129 King's Road Hong Kong	103,929	103,929	138,575	346,433	0.09%
Lee Tze Ying	Room G, 20th Floor Tower 1 Grand View Garden Diamond Hill Kowloon	103,929	103,929	138,575	346,433	0.09%
Ho Sui Ying Anna	Flat 4A, Wilmer Building 23 Wilmer Street Sai Ying Pun Hong Kong	64,956	64,956	86,609	216,521	0.05%
Tseng Kit Ling	Flat F, 29th Floor Block 5, East Point City Tseung Kwan O New Territories	64,956	64,956	86,609	216,521	0.05%
Tjsia Yue Sun	Flat B, 3rd Floor Block 3, Beverley Heights 56 Cloud View Road North Point Hong Kong	64,956	64,956	86,609	216,521	0.05%
Lung Tak Shing	Room 18, 5th Floor Wang Man House Cheung Wang Estate Tsing Yi New Territories	64,956	64,956	86,609	216,521	0.05%
Bhen Ka Ho	Room 905, Siu Fu House Siu Kwai Court 2 Tin King Road Tuen Mun New Territories	64,956	64,956	86,609	216,521	0.05%

Name of Grantee	Address	Number of options that vest in the First Vesting Period	Number of options that vest in the Second Vesting Period	Number of options that vest in the Third Vesting Period	Total number of options granted	Approximate percentage of shareholding upon the exercise of the options ⁽¹⁾
Yan Ka Ki	Flat 1501, 15th Floor Yat Kong House Tin Yat Estate Tin Shui Wai New Territories	64,956	64,956	86,609	216,521	0.05%
Pong Yuen Ting Tammy	Flat 6, 9th Floor Block H, Kam Ying House Kam Tai Court Ma On Shan New Territories	64,956	64,956	86,609	216,521	0.05%
Law Sai Kin	Flat E, 6th Floor Block 1, Wing Fok Centre Fanling New Territories	64,956	64,956	86,609	216,521	0.05%
Lo Oi Yin Kathy	Flat H, 5th Floor Block 6, La Cite Noble Tseung Kwan O New Territories	64,956	64,956	86,609	216,521	0.05%
Lui Sung Hing	Flat G, 14th Floor Block 15, Riviera Gardens Tsuen Wan New Territories	64,956	64,956	86,609	216,521	0.05%
Lee Tsz Yin Jonathan	Flat RA, 16th Floor Block 1, The Capitol The Lohas Park Tseung Kwan O New Territories	64,956	64,956	86,609	216,521	0.05%
Yuan Mengfan	Flat A1, 3rd Floor Block A, Fuk Ming Building 32-40 Fuk Tsun Street Tai Kok Tsui Kowloon	64,956	64,956	86,609	216,521	0.05%
Leung Siu Fung	Flat C, 17th Floor Richland House 77B-C Waterloo Road Homantin Kowloon	64,956	64,956	86,609	216,521	0.05%
Wong Tse Shan	2nd Floor 49 Tai Wai New Village Shatin New Territories	64,956	64,956	86,609	216,521	0.05%
Total		<u>9,808,366</u>	<u>9,808,366</u>	<u>13,077,889</u>	<u>32,694,621</u>	<u>8.17%</u>

⁽¹⁾ Figures may not add up precisely to total due to rounding.

The percentages of shareholding represent the percentages immediately upon completion of the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme. Except as set out above, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme as at the Latest Practicable Date.

No option under the Pre-IPO Share Option Scheme is held by a core connected person of our Company other than those granted to the Connected Grantees.

Our Company will not permit the exercise of any Pre-IPO Share Option Scheme by any of the core connected persons if, upon such exercise, our Company would not be able to attain the minimum public float requirement of the Stock Exchange.

Dilution effect and impact on earnings per Share

As at the Latest Practicable Date, none of the options granted under the Pre-IPO Share Option Scheme had been exercised by the Grantees. Assuming full vesting and exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding percentage of our Shareholders would be diluted by approximately 7.56% as calculated based on 432,694,621 Shares then in issue (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) and the dilution effect on our earnings per Share would be approximately 7.56%.

Share based-payment

In addition, we are required to recognise share-based payment expenses. The share-based payment expenses recognised for the year ended 31 March 2019 amounted to approximately HK\$0.7 million and we estimate that the share-based payment expenses to be recognised in the three years ending 31 March 2022 for the options granted under the Pre-IPO Share Option Scheme will amount to approximately HK\$5.6 million, HK\$2.1 million and HK\$0.5 million, respectively.

(b) Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by the written resolutions of all the Shareholders passed on 10 September 2019. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(i) *Purpose of the Share Option Scheme*

The purpose of this Share Option Scheme is to enable our Board to grant options to Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and/or to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to our Group.

(ii) *Who may join*

Subject to the provisions in the Share Option Scheme, our Directors may at any time and from time to time within a period of 10 years commencing from the date of adoption of the Share Option Scheme at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit offer, at the consideration of HK\$1 per option, to grant option to any person belonging to the following classes of participants (the “**Eligible Person(s)**”):

- (a) any employee or proposed employee (whether full-time or part-time, including any director) of any member of our Group or invested entity; and
- (b) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of our Group or any invested entity.

(iii) *Maximum number of Shares*

- (a) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (b) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 40,000,000 Shares, being 10% of the total number of Shares (assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Share Option Scheme are exercised) in issue on the Listing Date (the “**Scheme Limit**”) unless approved by our Shareholders pursuant to sub-paragraph (d) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company shall not be counted for the purpose of calculating the Scheme Limit.
- (c) Our Company may seek separate approval of our Shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the approval of our Shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the

terms of the Share Option Scheme or any other share option schemes of our Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of Shareholders, a circular containing the information as required under the Listing Rules shall be sent by our Company to our Shareholders.

- (d) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought and that the proposed grantee(s) and his/her close associates (or his/her associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of our Shareholders, our Company shall send a circular to our Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.

(iv) *Maximum entitlement of each Eligible Person*

No option shall be granted to any Eligible Person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the “**Participant Limit**”), unless:

- (a) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting, at which the Eligible Person and his/her close associates shall abstain from voting;
- (b) a circular regarding the grant has been dispatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Person, the number and terms of the options to be granted and options previously granted to such Eligible Person); and
- (c) the number and terms (including the subscription price) of such option are fixed before our Shareholders’ approval is sought.

(v) *Grant of options to connected persons*

- (a) Any grant of options to any Director, chief executive, or substantial Shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates shall be approved by all the independent non-executive

Directors (excluding any independent non-executive Director who is any offeree of an option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

- (b) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant shall not be valid unless: (aa) a circular containing the details of the grant has been dispatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of an option) to the independent Shareholders as to voting); and (bb) the grant has been approved by the independent Shareholders in general meeting (taken on a poll), at which the proposed grantee, his/her associates and all core connected persons of our Company shall abstain from voting in favour of the grant.
- (c) Where any change is to be made to the terms of any option granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the independent Shareholders in general meeting as required under sub-paragraph (b) above.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Person (in whole or in part) within the date as specified in the offer letter issued by our Company, being a date not later than 21 days inclusive of, and from, the date upon which it is made, by which the Eligible Person must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme or after the termination of the Share Option Scheme, and no such offer may be accepted by a person who ceases to be an Eligible Person after the offer has been made.

An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the Eligible Person, together with a payment in favour of our Company of HK\$1 per option by way of consideration for the grant thereof is delivered to our Company. Such consideration shall in no circumstances be refundable. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part

by the grantee at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such 10-year period.

(vii) Performance targets

There is no performance target that has to be achieved or minimum period in which an option must be held before the exercise of any option save as otherwise imposed by our Board in the relevant offer of options.

(viii) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by our Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**"), which must be a trading day, on which our Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five trading days after the listing of the Shares on the Stock Exchange, the new issue price shall be taken to be the closing price for any business day within the period before listing.

(ix) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option granted under the Share Option Scheme shall be subject to all the provisions of our Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue of our Company as at the date of allotment or, if that date falls on a day when the register of members of our Company is closed, then as at the first business day on which the register of members of our Company is re-opened (the "**Exercise Date**") and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the Exercise Date.

(x) Restrictions on the time of grant of options

No offer of an option shall be made and no option shall be granted by our Company after inside information has come to our Board's knowledge until our Board has announced the information pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our

Company to publish an announcement of our results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an Eligible Person for any reason other than his/her death or the termination of his/her contract of employment or service on one or more of the grounds specified in sub-paragraph (xiii) below, the grantee may exercise his/her outstanding options within three months following the date of such cessation, and any such options not exercised shall lapse and determine at the end of such three-month period.

(xiii) Rights on dismissal

If the grantee of an option is an Eligible Person and ceases to be an Eligible Person by reason of a termination of his/her contract of employment or service on any one or more grounds that he/she has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, or (if so determined by our Board) on any other ground on which an employer or a company would be entitled to terminate his/her employment or directorship at common law or pursuant to any applicable laws or under the grantee's contract of employment or service with our Company or our relevant subsidiary, his/her option (to the extent not already exercised) will lapse automatically on the date of cessation of being an Eligible Person.

(xiv) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his/her personal representative(s) within 12 months from the date of death or such period extended by our Board.

(xv) Rights on a general offer

If a general or partial offer is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), our Directors shall as soon as practicable notify the option holder

accordingly. An option holder shall be entitled to exercise his/her outstanding options in whole or in part within 14 days of receipt of such notice. To the extent that any option has not been so exercised, it shall upon the expiry of such period lapse and determine.

(xvi) Rights on winding-up

If notice is given of a general meeting of our Company at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice thereof to all option holders and each option holder shall be entitled, at any time not later than two business days prior to the proposed general meeting of our Company to exercise his/her outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one business day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up.

(xvii) Rights on compromise or arrangement between our Company and our creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all option holders on the same date as our Company gives notice of the meeting to our Shareholders and creditors, and thereupon each option holder shall be entitled, at any time not later than two business days prior to the proposed meeting of our Company, to exercise his/her outstanding options in whole or in part.

Our Company shall as soon as possible and in any event no later than one business day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all options then outstanding shall lapse and determine upon such compromise or arrangement becoming effective.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction or any other alteration of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance issued by the Stock Exchange on 5 September 2005) to:

- (a) the number or nominal value of Shares comprised in each option for the time being outstanding; and/or
- (b) the subscription price; and/or
- (c) the Scheme Limit; and/or

(d) the Participant Limit,

as the auditors or the independent financial adviser to our Company shall certify in writing to our Board to be in their opinion fair and reasonable, provided that:

- (i) the aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (iv) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the auditors or independent financial adviser of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules. The confirmation of such auditors or independent financial adviser shall (in the absence of manifest error) be final and binding on our Company and the grantees.

(xix) Cancellation of options

Our Board may cancel an option granted but not exercised with the approval of the option holder. Any such options cancelled by our Company cannot be re-granted to the same Eligible Person and the issue of new options must be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Limit.

(xx) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or our Board may at any time, terminate the operation of the Share Option Scheme and in such event, no further option will be offered. However, the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. All options granted and accepted and remaining unexercised immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the Share Option Scheme.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(xxii) Lapse of option

The right to exercise an option (to the extent not already exercised) shall lapse immediately upon the earliest of:

- (a) the expiry of the option period to be determined and notified by our Board to the grantee;
- (b) the expiry of the periods as referred to in sub-paragraphs (xii), (xiv), (xv), (xvi) and (xvii) respectively;
- (c) subject to sub-paragraph (xvi), the date of the commencement of the winding-up of our Company;
- (d) in the event that the grantee is an employee or a director of our Group, the date on which the grantee ceases to be an Eligible Person by reason of the termination of his/her contract of employment or service on any one or more grounds that he/she (aa) has been guilty of misconduct; (bb) has committed an act of bankruptcy or has become insolvent or has made any arrangement composition with his/her creditors generally; (cc) has been convicted of any criminal offence involving his/her integrity or honesty; or (dd) (if so determined by our Board) on any other ground on which an employer or a company would be entitled to terminate his/her employment or directorship at common law or pursuant to any applicable laws or under the grantee's contract of employment or service with our Company or our relevant subsidiary;
- (e) the date on which our Directors cancel any outstanding option or part thereof on the ground the grantee commits a breach of sub-paragraph (xxi).

Our Company shall owe no liability to any grantee for the lapsed options.

(xxiii) Alterations to the Share Option Scheme

- (a) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must first be approved by a resolution of our Shareholders in general meeting:
 - (i) the purpose of the Share Option Scheme;

- (ii) the definitions of “Eligible Person”, “Option Period” and “Scheme Period”;
- (iii) the Scheme Limit;
- (iv) the Participant Limit;
- (v) the period within which the offer of grant of an option must be accepted;
- (vi) the minimum period for which an option must be held before it can be exercised;
- (vii) the statement as to performance targets that must be achieved before an option may be exercised;
- (viii) the amount payable on acceptance of an option and the period within which it must be paid for such purpose;
- (ix) the basis of determination of the subscription price;
- (x) the rights to be attached to the Shares to be issued upon the exercise of options;
- (xi) the life of the Share Option Scheme;
- (xii) the circumstances under which options will automatically lapse;
- (xiii) the adjustment made in the event of any alterations of the capital structure of our Company;
- (xiv) the cancellation of options granted but not exercised;
- (xv) the effect on existing options of an early termination of the Share Option Scheme;
- (xvi) the transferability of options;
- (xvii) this sub-paragraph (xxiii);
- (xviii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted to the advantage of such option holders; and
- (xix) any change to the authority of our Directors in relation to any alterations to the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options shall comply with Chapter 17 of the Listing Rules.

- (b) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Board without the approval of our Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guideline issued by the Stock Exchange from time to time.
- (c) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiv) Conditions

The Share Option Scheme is conditional upon:

- (a) the passing of the necessary resolutions by our Shareholders to approve and adopt the Share Option Scheme;
- (b) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue and the Shares which may fall to be issued pursuant to the exercise of options granted or which may be granted under the Share Option Schemes; and
- (c) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions referred to above are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(xxv) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 40,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date (assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Share Option Scheme are exercised) unless our Company obtains the approval of our Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme, provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit abovementioned.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

15. Tax and other indemnities

Each of Mr. Mui, Mr. Liu, Mr. Ng, Ms. Ho, Ms. Lau and Lego Financial Group (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries), being one of the material contracts referred to in “— Further information about the business of our Group — 7. Summary of material contracts”, to provide indemnities on a joint and several basis in respect of, among other matters, the following:

- (a) any and all amount of tax falling on any member of our Group resulting from or by reference to or in consequence of, among others, (i) any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring (or deemed to be so earned, accrued, received, entered into or occurring) on or up to the date on which the Share Offer becomes unconditional in accordance with the conditions as set out in “Structure and Conditions of the Share Offer — Conditions of the Share Offer” (the “**Effective Date**”); (ii) any change in the law or the formal/written interpretation thereof by the relevant tax authorities in any jurisdictions in which any member of our Group operates that is promulgated, published and comes into force before the Effective Date; (iii) any act or omission of any member of our Group regarding the inter-companies transactions on or before the Effective Date; and/or (iv) any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Effective Date;
- (b) any and all amount of tax falling on any member of our Group anywhere in the world resulting from any member of our Group conducting our business operations in such jurisdictions prior to Listing and shall include any costs, expenses, interests, penalties or other liabilities in connection therewith;
- (c) all costs (including all legal costs), claims, actions, losses, damages, expenses, interests, penalties or other liabilities which any member of our Group may make or suffer or reasonably and properly incur in connection with: (i) the investigation, assessment or the contesting of any claim under the Deed of Indemnity; (ii) the settlement of any claim under the Deed of Indemnity; (iii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given in favour of any member of our Group; and/or (iv) the enforcement of any such settlement referred to in the foregoing point (ii) and/or judgment referred to in the foregoing point (iii);
- (d) any and all expenses, payments, sums, outgoings, fees, demands, claims (including counter-claims), complaints, actions, proceedings, suits, litigations, arbitrations, judgments, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines, penalties whatsoever and howsoever arising at any time whether present or in the future (collectively the “**Costs**”) directly or indirectly as a result of or in connection with (i) any breach or non-compliance of any applicable laws, rules or regulations (whether currently in force or repealed) in the Cayman Islands, the BVI and/or Hong Kong by any member of our Group on or before the Effective Date; (ii) the restructuring and reorganisation undergone by our Group on or before the Effective Date; and

- (iii) any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group prior to the Effective Date;
- (e) any and all Costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any failure to obtain or delay in obtaining the necessary licences, consents or permits under the laws of the Cayman Islands, the BVI and/or Hong Kong for the valid and legal establishment and/or operation of any member of our Group on or before the Effective Date; and
- (f) any and all Costs which any member of our Group may incur, suffer or accrue, directly or indirectly, as a result of or in connection with any matters referred to in paragraphs (d) and/or (e) above on or before the Effective Date.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have given indemnity in respect of, among other matters, certain liability for Hong Kong estate duty, if any, which may become payable by any member of our Group by reason of any transfer of property to any member of our Group at any time on or prior to the Effective Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the BVI and/or Hong Kong, being jurisdictions in which the companies comprising our Group are incorporated or registered.

The Deed of Indemnity does not cover any tax claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any tax, tax claim or tax related liability (“**such tax liability**”):

- (a) to the extent that full provision or reserve has been made for such tax liability in the combined audited accounts of our Group for each of the three years ended 31 March 2019 (the “**Accounts Date**”), as set out in Appendix I to this prospectus, respectively, and the unaudited accounts of the relevant members of our Group for the same period (where applicable) and any previous audited accounts of any member of our Group (collectively, the “**Accounts**”);
- (b) to the extent that such tax liability would not have arisen but for some act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than (i) in the ordinary course of business after the date of the Deed of Indemnity; or (ii) pursuant to a legally binding commitment created on or before the Effective Date; or (iii) pursuant to any statement of intention made in this prospectus;
- (c) for which any member of our Group is primarily liable as a result of transactions entered into in the ordinary course of business after the Accounts Date;
- (d) to the extent that any provision or reserve made for tax in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of tax shall be reduced by an amount not exceeding such over-

provision or excessive reserve provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of tax shall not be available in respect of any such liability arising thereafter;

- (e) to the extent that such tax liability arises or is incurred as a result of the imposition of tax as a consequence of any retrospective change in the law or the interpretation or practice thereof by the relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such tax liability arises or is increased by an increase in tax rates after the date of the Deed of Indemnity with retrospective effect; and
- (f) to the extent that such tax liability arises as a result of any member of our Group being in breach of any provision of the Deed of Indemnity.

16. Litigation

During the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

17. Joint Sponsors

TUS Corporate Finance satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Lego Corporate Finance is a wholly-owned subsidiary of our Company and therefore is not independent from our Company under Rule 3A.07 of the Listing Rules. The Joint Sponsors' fee in relation to the Listing is approximately HK\$5.0 million in aggregate.

The Joint Sponsors have made an application on our Company's behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

18. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed TUS Corporate Finance as our compliance adviser to provide consultancy services to our Company to ensure compliance with Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

19. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and are payable by our Company.

20. Promoter

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this appendix, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Share Offer and the related transactions described in this prospectus.

21. Qualifications and consents of experts

Name	Qualification
Lego Corporate Finance Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
TUS Corporate Finance Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified public accountants
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law

All of the experts named above have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

23. Taxation of holders of Shares**(a) Hong Kong****(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be

derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages (other than under the Underwriting Agreements) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries; and

- (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Saved as disclosed in “History, Reorganisation and Group Structure”, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (c) Our Directors confirmed that, save as disclosed in “Summary — Recent development”, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2019 (being the end of the financial year reported in the Accountants’ Report as set out in Appendix I to this prospectus) and up to the date of this prospectus.
- (d) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (e) None of the equity and debt securities of our Company or any of our subsidiaries is presently listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (f) None of our Directors nor any of the persons whose names are listed in “— Other information — 21. Qualifications and consents of experts” has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.
- (g) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by the Cayman Islands Principal Registrar and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (h) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (i) There is no arrangement under which future dividends have been waived or agreed to be waived after the Listing.
- (j) Neither our Company nor any of our subsidiaries have any outstanding convertible debt securities or debentures.
- (k) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

25. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

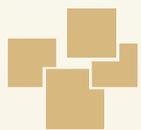
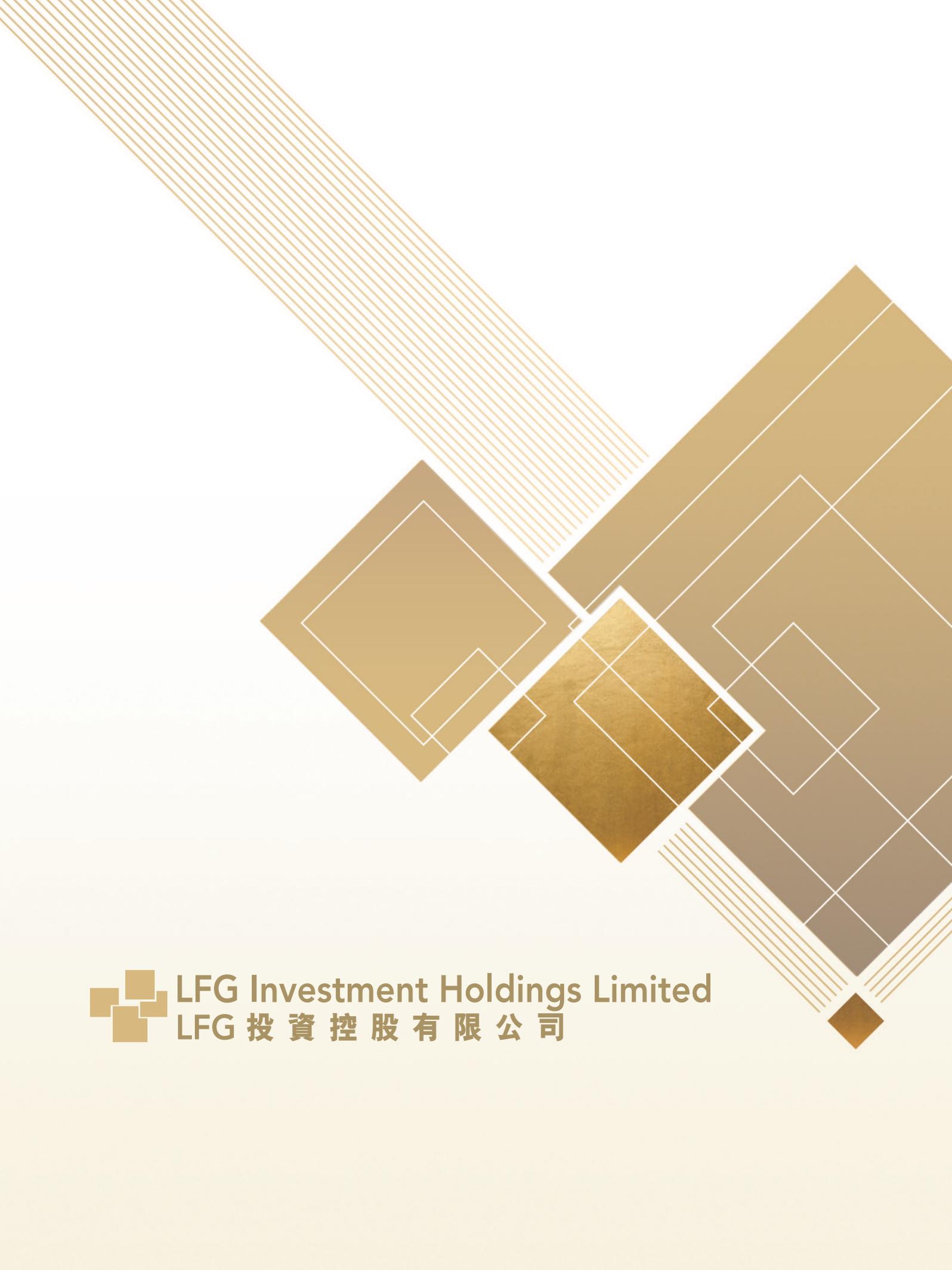
The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (1) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (2) the written consents referred to in “Other information — 21. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- (3) a copy of each of the material contracts referred to in “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57th Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report from BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Group for the Track Record Period;
- (d) the report from BDO Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the rules of the Pre-IPO Share Option Scheme;
- (f) the rules of the Share Option Scheme;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (h) the Cayman Islands Companies Law;
- (i) the material contracts referred to in “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in “Other information — 21. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- (k) the service contracts referred to in “Further information about our Directors and substantial Shareholders — 9. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus.



LFG Investment Holdings Limited
LFG 投資控股有限公司