

OVERVIEW

We are a leading one-stop financial technology platform transforming the investing experience with our fully digitalized securities brokerage and wealth management product distribution services in Hong Kong. We launched our business on the premise that no one should be precluded from investing on the basis of prohibitive transaction costs or market inexperience. Technology permeates every part of our business, allowing us to offer a redefined user experience built upon a secure, stable, agile and scalable online platform. Today, we have become a market leader in Hong Kong in the retail securities brokerage industry and a go-to brand for retail securities trading. According to CIC, we are the largest securities broker in terms of retail securities trading volume on the Hong Kong Stock Exchange, with a market share of 10.7% as of December 31, 2021.

A securities brokerage service provider at inception, we are now an all-rounded online financial services platform, seamlessly integrating services and products including trading, wealth management product distribution, market data and information, user community, investor education, and corporate services with a focus on the online securities brokerage market. As an intuitive and easy-to-navigate platform, we are serving approximately 19.2 million users. We provide a comprehensive range of investment products, including equities and derivatives across major global exchanges, margin financing and securities lending, as well as fund and bond investments, leveraging our 51 licenses, registrations and memberships across Hong Kong, Singapore, the U.S., Australia and Europe as of the Latest Practicable Date. Our vibrant user community further engages our users and provides them with direct access to listed companies, fund houses, exchanges, media and research institutions that have accounts in our user community through communication with their representatives. In addition, our platform equips our users with necessary investment knowledge for them to make informed investment decisions.

Our platform has attracted and gathered a vast base of young and high-quality users and clients, evidenced by the average paying client age of 37 and average paying client assets of over HK\$310,000 on our platform as of June 30, 2022, the latter being the highest average retail client asset level among online securities brokers in Hong Kong, according to CIC. The emerging affluent and tech-savvy population we primarily serve allows us to pursue the massive opportunity in the digitalization of the securities brokerage and wealth management industry. We grow our client base mainly through word-of-mouth referrals, corporate services, as well as online and offline marketing and promotional activities. We benefit from the significant organic traffic arising from our high brand awareness, contributing over half of our new paying clients during the year 2021. As of June 30, 2022, we had over 18.6 million users, 3.0 million clients, and around 1.4 million paying clients.

BUSINESS

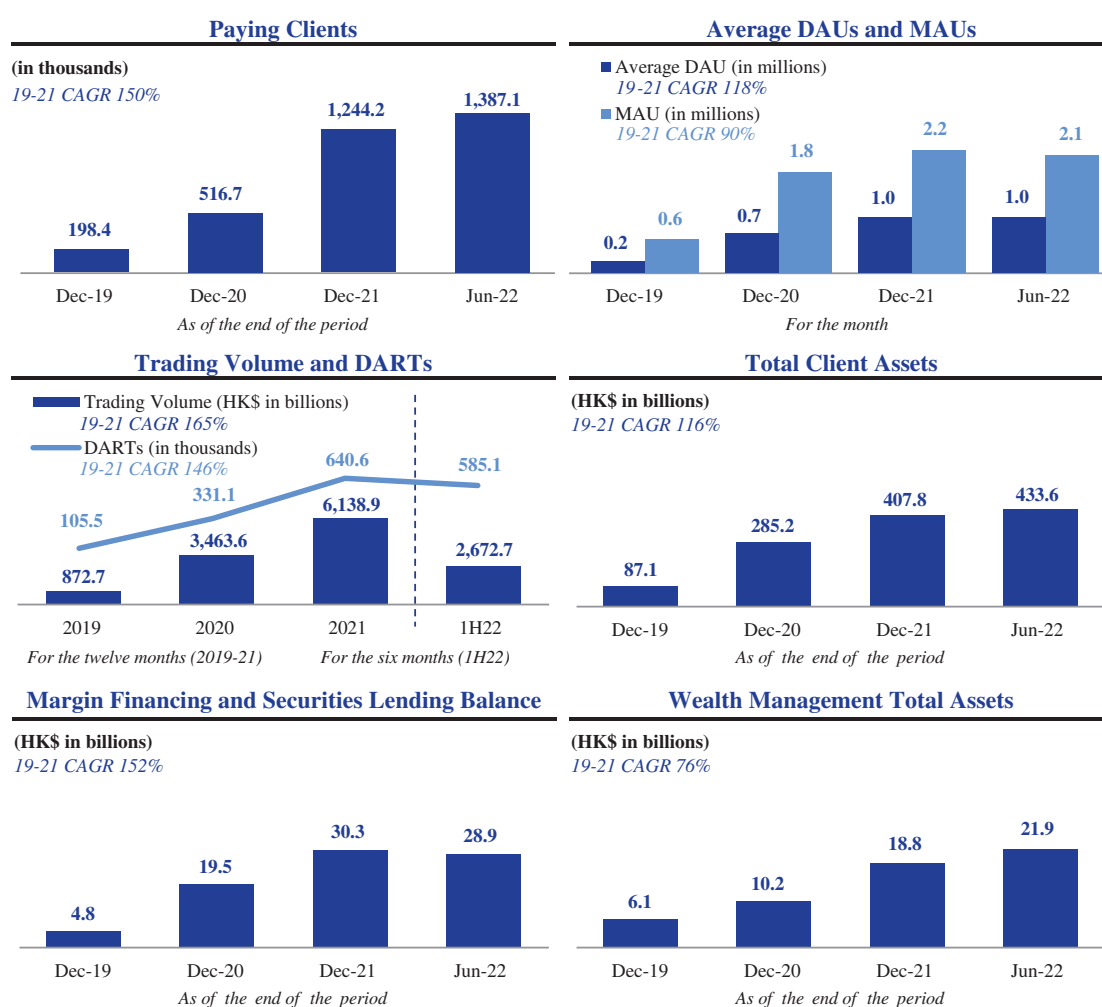
We have developed a proprietary and highly automated technology infrastructure encompassing every aspect of our business operations, from account opening, fund transfer, trading and investment to risk management. Our team is centered around research and development — 63.5% of our employees engaged in research and development as of June 30, 2022. Our founder, chairman of the board and chief executive officer Mr. Leaf Hua Li, who has over 20 years of experience and expertise in the technology and internet sectors in China, is directly in charge of our technology committee, which is responsible for formulating technology development strategies, optimizing the existing technology infrastructure and implementing large-scale technology projects. Our technology infrastructure provides us with crucial advantages:

- *Integrated cross-market platform.* We have developed an easy-to-use and highly integrated cross-market system which allows our clients to view and execute trades in different markets as a unified one from a single platform, with streamlined functionality extending from core trading, real-time risk management to multi-currency, multi-market settlement.
- *Security and stability.* Our platform features an automated multi-level protection mechanism and strict security measures such as data encryption and a two-factor authentication, to protect our clients' personal information and trading data. We invest significantly to ensure platform stability, and were able to achieve over 99.9% service availability rate on our platform in 2020 and 2021, the highest among securities brokers in Hong Kong, according to CIC.
- *Agility and scalability.* Our platform is built on a cloud-based distributed infrastructure and highly modularized architecture, each component of which can be separately upgraded and replaced, significantly reducing the launch cycle, accelerating response time, and enhancing scalability. According to CIC,
 - we were able to offer completely online-based account opening services within ten days from SFC's release of relevant guidance in July 2018, as the first securities broker in Hong Kong;
 - we provided 153 application upgrades and incorporated 5,689 new product features for our users in 2021, the most in the Hong Kong retail securities brokerage market; and
 - we were capable of processing 1,004 Hong Kong listed securities trades per second as of June 30, 2022, highest in the Hong Kong retail securities brokerage market.

BUSINESS

- Big data and AI capabilities.** We have established an intelligent risk control platform built on our proprietary algorithms, which is capable of analyzing different types, sources and stages of risks and providing margin ratio adjustment recommendations and early risk warnings. Leveraging our big data analytic capabilities, we have developed AI-based customer service function which can predict users' questions based on their past interactions with our application. We can also intelligently and accurately identify the true semantics behind the text of our users' questions through our natural language processing capabilities.

As a result of our relentless focus on technology development and product innovation, we have achieved significant growth since inception, and especially during the Track Record Period¹:



Note:

- For each relevant period prior to January 1, 2021, figures are only inclusive of those under Futubull or Futu International Hong Kong, as applicable. For each subsequent period since January 1, 2021, figures are also inclusive of those under moomoo or Moomoo Financial Inc., Moomoo Financial Singapore and Futu Australia, as applicable.

MARKET OPPORTUNITY**Increasing retail investor participation and online penetration**

Driven by growing disposable income of retail investors, continued enterprise fundraising demands through capital markets, and technological innovations in securities brokerage services, the global securities market (including stocks, bonds, ETFs, derivatives and other securities) has continued to grow in terms of trading volume, from US\$163.3 trillion in 2017 to US\$269.6 trillion in 2021, and is projected to further grow to US\$334.5 trillion in 2026. Two trends have been driving trading volume growth: the increase in retail investor participation and the increase in online penetration.

Global retail investor base continues to grow over the years, driven by improved financial literacy and lower threshold of financial markets access. Specifically, digitalized and user-friendly trading applications that charge low commissions have dramatically lowered the investment barriers for retail investors. In addition, Hong Kong, the U.S., Singapore and Australia securities markets provide a wide range of diversified investment products, thereby attracting a large number of retail investors worldwide. The retail investors' contribution to global securities trading increased from 39.6% in 2017 to 47.4% in 2021, and is projected to further increase to 48.8% in 2026. Securities investing is particularly popular in Hong Kong, with 53.5% of the adult population owning a securities investment account in 2021, according to CIC. Retail investors contribute meaningful trading volumes and have become a formidable force in the global securities market.

Furthermore, the development of mobile internet prompts the migration of trading activities from offline channels to online platforms. This trend has been further accelerated by the COVID-19 pandemic. The global online securities trading penetration rate in terms of trading volume increased from 40.4% in 2017 to 53.2% in 2021, and is projected to reach 62.2% in 2026. The U.S. and Hong Kong ranked as the first and fifth largest online securities market in terms of trading volume in 2021, and both markets were among the fastest-growing online retail securities markets in terms of trading volume from 2017 to 2021, with CAGRs of 32.9% and 18.2%.

These trends have reshaped the competitive landscape of the securities brokerage industry and greatly driven the popularity of online securities brokers, most of which are purpose-built to serve retail investors' online trading needs.

Growing demand for diversified investment products

With increasing wealth accumulation and growing understanding of financial markets, retail investors ranging from the mass affluent to the ultra-high-net-worth demand more diversified investment products, from stocks and ETFs to derivatives. Many retail investors have become aware of investment opportunities outside of their home countries, especially in the U.S. and Hong Kong markets.

Specifically, the offshore investment market for Chinese investors is growing rapidly, driven by the expanding population of global Chinese communities, the increasing investable assets per capita, and growing appetite for equities and fund products. Hong Kong, as a competitive asset and wealth management center and a preferred place of fund domicile, has enjoyed strong growth in its wealth management market, from US\$1.2 trillion in 2017 to US\$1.7 trillion in 2021 at a CAGR of 10.2%. This market is projected to further grow to reach US\$2.8 trillion in 2026 at a CAGR of 9.6%, driven by a number of favorable factors including the Greater Bay Area initiatives, mutual recognition of funds arrangement with the Mainland China and European markets, and continuous development in local financial infrastructure.

This growing demand for diversified investment products leads to a redefined retail investment landscape with increasing preference for “one-stop” platforms that deliver comprehensive financial products and services in a digitalized and easily accessible way.

Social community driving user engagement

User community has become a critical differentiating factor for securities brokers given its appeal to retail investors. Through exchanging market views and investment experience, posting transaction stories and establishing relationships with other people who share the same enthusiasm for investing, retail investors feel accompanied on their investment journey and build a strong sense of belonging and accomplishment. Therefore, social community plays an increasingly important role to uplift user experience and improve client retention.

Retail investors are growing increasingly active on online communities, driven by the growth of younger and tech-savvy investor base globally. In Asia and North America, online brokerage platforms with social communities gained increasing popularity, with leading players realizing approximately 10% year-on-year increase in daily average time spent by active users from 2019 to 2021, according to CIC. Retail investors tap into social networks to share investment experience, acquire market data and information, and seek investment advice. Online securities brokers with interactive social platforms usually enjoy high client conversion and retention rates.

COMPETITIVE STRENGTHS

Market leading brand

After ten years of rapid growth, we are now a market leader in Hong Kong in the retail securities brokerage industry and a go-to brand for retail securities trading. As of December 31, 2021 and according to CIC:

- We were the largest securities broker in terms of retail securities trading volume on the Hong Kong Stock Exchange;
- *Futubull* was repeatedly ranked the first in the finance category of Hong Kong iOS and Android App Stores; and
- We were the first and only online securities broker classified by the Hong Kong Stock Exchange as a Category A Exchange Participant (top 14 exchange participants in terms of turnover).

Our great success in the Hong Kong market has laid a solid foundation in terms of technology and industry knowhow for our international expansion. We launched *moomoo*, the international version of *Futubull*, in the U.S., Singapore and Australia, and plan to extend our reach to more international markets. *moomoo* has demonstrated broad popularity and robust momentum since its debut in Singapore on March 8, 2021 — reaching the number one spot under the finance category and free download category of Singapore’s iOS and Android App Store within two months, respectively, and attracting over 220,000 users and 100,000 paying clients within three months.

Creating a market-leading and trustworthy brand has brought us high growth. Our total client asset balance increased from HK\$87.1 billion as of December 31, 2019 to HK\$433.6 billion as of June 30, 2022, up by about five-fold in two and a half years. Our revenue, gross profit and net income grew from 2019 to 2021 at a CAGR of 158.9%, 175.3% and 311.9%, respectively.

Premier user experience

We make investing easier by crafting a premier user experience through technology capabilities, redefining industry best practices.

The relentless pursuit for offering best-in-class user experiences has been the core of our culture, which stemmed from our founder Mr. Leaf Hua Li, who was Tencent’s 18th founding employee, an early and significant research and development participant of Tencent QQ, the founder of Tencent Video leading product design and development, and former head of Tencent’s multi-media business and its innovation center. This culture is also permeated throughout the company, manifested by how our employees approach product development.

Our premier user experience is reflected in several important areas:

- *Flexible Platform.* We ensure an omni-terminal access to our platform from mobile phones, tablets and computers, either through our purpose-built applications or internet browsers. Across all channels, we deliver intuitive, easy-to-navigate, efficient, and elegant user interfaces, creating a well-received platform without technical terms or barriers for users to make informed investment decisions.
- *Seamless Operational Process.* Our operational processes are fully digitalized and seamless. We provide a completely online account opening process and multiple channels of fund transfers. By virtue of our technology edge, we are able to complete new account opening online in three minutes and bank-to-brokerage fund transfers in as fast as a few seconds, both at the highest level among Hong Kong online securities brokers, according to CIC.
- *Rich and Tailored Market Insights.* We offer real-time market data, including unique and valuable analytics, such as institutional trading volumes, trading order flows, and free Hong Kong Level II stock quotes, to all Mainland China-based clients, the first among online securities brokers in Hong Kong, according to CIC. Leveraging our proprietary algorithms and deep-learning models, we automatically aggregate information, produce stock analysis and provide personalized content. We also provide advanced and intuitive tools to allow our users to customize the manner in which they monitor the market.
- *Continuous Product Upgrade and Innovation.* We strive to prioritize clients' potential demands in the ever-changing market environment by constantly expanding our product offerings. In 2021, we provided 153 application upgrades and incorporated 5,689 new product features for our users, the most in the Hong Kong retail securities brokerage market, according to CIC. As a market pioneer, we are the first online securities broker in Hong Kong to launch many new product features according to CIC, including proprietary grey market trading services for Hong Kong IPOs and the option for clients to automatically subscribe for and redeem money market funds based on their cash positions.
- *Direct Communication Channels.* We have a proprietary and tailored customer service system, directly connecting our users with our customer service specialists and technology experts through online chat or hotline. Our users can also directly interact with our official accounts, product managers and even our founder through *NiuNiu/Moo Community* where they can provide product feedback and suggestions. We highly treasure active client engagement and strive to respond promptly.

BUSINESS

Our relentless efforts on user experience enable us to cultivate customer loyalty and minimize the attrition rate:

- During the six months ended June 30, 2022, our DAUs on average opened our application 16.9 times and spent an aggregate of 26.6 minutes on our platform per trading day;
- In June 2022, the ratio of our average DAU over MAU was as high as 47.7%, indicating strong user activeness and stickiness on our platform;
- Among new paying clients joining in the six months ended June 30, 2022, within six months after using our platform, 50.8% of them had two or more types of products in their portfolio (product types including stocks, options, futures, warrants, funds, bonds), and cumulative funds transferred to our platform on average increased by 186.2%;
- According to a survey conducted by CIC in August 2021 covering 1,000 users, 92% of respondents are willing to recommend us to other people.

High-quality customer base

Offering best-in-class products and user experience, our platform has become the go-to choice for retail investors and attracted a vast base of high-quality customers:

- *Young.* Whilst the number of our clients has grown over four-fold from 717,842 as of December 31, 2019 to 3,021,790 as of June 30, 2022, the average paying client age remains around 37 years old, which indicates our platform's ability to continuously attract many young people to become our clients over time;
- *Potential to Generate Wealth.* Many of our clients work in new economy industries — over 25% of our clients worked in internet, information technology and financial services sectors as of June 30, 2022. Our paying clients substantially increased during the Track Record Period, from less than 200,000 as of December 31, 2019 to approximately 1,400,000 as of June 30, 2022. Our clients had average paying client assets of over HK\$310,000 on our platform, as of June 30, 2022;
- *Loyal.* During the Track Record Period, on average we retained around 98% of our paying client base on a quarterly basis, one of the highest retention rates among online securities brokers in Hong Kong, according to CIC. Such high retention rates drive revenue visibility and generate additional sources of income for us as clients mature and adopt more financial services on our platform.

From June 30, 2019 to June 30, 2022, our users, clients and paying clients grew at a CAGR of 44.9%, 70.1% and 103.5%, respectively, demonstrating our ability to attract users and convert them into clients. We expect our clients to continue their wealth accumulation, grow their asset balance with us and seek more comprehensive investing services on our platform, leading to significant customer lifetime value.

Flywheel effects of corporate and retail services

Our high-quality services offered to enterprises and individuals have resulted in flywheel effects and enabled us to achieve efficient and effective customer acquisition.

Serving China's new economy companies has been one of our key growth strategies. Through launching a series of corporate services including IPO distribution, investor relations and marketing, ESOP solution and trust services, we have become a long-term partner of new economy companies, which in turn enhanced our brand recognition among retail investors:

- *IPO distribution, Investor Relations and Marketing.* With a large retail investor base, we have become a preferred IPO distribution partner for China's new economy companies and a popular platform for them to conduct investor relations and marketing activities. As of June 30, 2022, we had participated in ten Hong Kong primary IPOs with WVR structure (usually an indicator of new economy company) and generated over HK\$10 billion of subscription amount each for 29 Hong Kong IPOs. We also participated in 86.7% of the U.S. IPOs of China-based companies that raised over USD500 million from August 2020 to June 2021. More than 1,000 companies had created their corporate accounts on our platform as of June 30, 2022, to publish their earnings releases or carry out marketing campaigns regularly. Most new economy companies come naturally with "traffic", and therefore it is also a publicity event for us every time we serve a new economy company for its IPO.
- *ESOP Solutions.* Our ESOP solution services have emerged as our signature corporate service and proved pivotal for efficient client acquisition. Once an ESOP account of a corporate is established, we can connect with beneficiary employees, and are better positioned to serve their ongoing stock trading needs once their stock awards are vested. Many of these employees are high-income individuals with significant wealth accumulation potential. Our ESOP solution services have a dominant market share among Chinese new economy companies. As of June 30, 2022, we had 519 ESOP solutions clients, covering the largest number of Chinese new economy companies listed overseas since 2018, according to CIC. Through providing ESOP solution services, we can secure IPO distribution mandates and establish relationships with corporate executives to potentially provide wealth management product distribution and trust services.

The high-quality retail customer base we accumulated has also contributed to our recognition among corporate clients. The majority of our users actively follow and understand the value of new economy companies, and have both the willingness and financial resources to purchase their stocks and products. They are exactly the target retail investors and customers that new economy companies hope to attract.

Vibrant user community

We make investing not alone through fostering the *NiuNiu/Moo Community*, a vibrant online community with social media tools for our users to interact, share, learn and grow. Our user community transforms the traditionally monotonous investment experience and has differentiated us among our peers.

Our *NiuNiu/Moo Community* has developed into an investment ecosystem with 18.6 million participants, including a large number of retail investors as well as various types of enterprises. As of June 30, 2022, over 1,500 enterprises had accounts on our *NiuNiu/Moo Community*, including over 1,000 public and private companies, 392 media institutions, as well as 66 research institutions, fund houses, and exchanges. Our *NiuNiu Community* has become the largest online social investing community and the second largest online forum in Hong Kong in terms of average MAUs in Hong Kong in 2021, according to CIC.

For retail investors, the investing journey can be turbulent and lonely as they study business fundamentals, analyze macroeconomic trends, make investment decisions, monitor market performances, and review investing decisions, over and over again. Our *NiuNiu/Moo Community* enables a much more enriching experience where our users can stay connected with, share the moments of ups and downs with, and learn from, people who bear the same enthusiasm for investment. Through years of cultivation and dedicated operation, we have built up a unique community culture — curious, caring, supportive and inclusive — which will bring long-term value to our future growth.

We have further demystified investing by directly connecting our users with many companies, fund houses, exchanges, media and research institutions so that they can get first-hand information from different channels to support investment decision-making. Users can watch live broadcasts of corporate events and directly interact with executives from over 1,000 companies. According to CIC, our *NiuNiu Community* on *Futubull* was one of the first investor communities that Tesla joined. Multiple global leading fund houses have livestreamed on our platform to promote their mutual funds products and investment knowledge. At the same time, users seeking to improve their investment capabilities can watch our pre-recorded investment knowledge videos on our platforms. We also encourage more high-quality UGCs through our systematic creator incentive program.

The *NiuNiu/Moo Community* fulfills our users' information and social needs. *Futubull* and *moomoo* had around one million average DAUs in June 2022, and maintained a similar level of daily activity on weekends. During the six months ended June 30, 2022, *Futubull* and *moomoo* on average generated an aggregate of approximately 138,000 UGCs on each trading day. Among our MAUs in June 2022, those who visited *NiuNiu/Moo Community* for ten or more days on average spent as much as 30.4 minutes per day on our platform, as compared to 5.4 minutes by those who visited for less than ten days.

GROWTH STRATEGIES

As we envision ourselves to become an influential global financial services platform, we will pursue the following strategies:

Grow our user and client base

We will continue to grow our user and client base, especially through word-of-mouth referral and precision marketing. We plan to further leverage our market-leading brand and powerful word-of-mouth referral network to drive organic growth in our user and client base. We will also leverage our data analytics capabilities to launch more targeted marketing to increase our customer service quality.

Enhance our ecosystem

We will further enhance our synergistic ecosystem, through constantly broadening our product portfolio, adding new functions, and enriching the content in our *NiuNiu/Moo Community*, to attract more users and expand wallet share. At the same time, we will continue to invest in our enterprise business and grow our new economy corporate client base to diversify revenue and efficiently acquire retail investors.

Invest in our platform

We will continue to invest in technology and talents to maintain our competitive advantages and to facilitate the execution of our strategies. Our investment in technology would focus on areas including risk control, system availability, product innovation, big data and AI technologies. We will also continue to build our strong and experienced team of product managers, developers, marketing and supporting staff.

Expand in various markets

We aim to expand our presence and improve our product offerings in various new markets to capture global opportunities and nurture a global client base. We plan to selectively pursue strategic partnerships, alliances, investments and acquisitions to facilitate growth in new markets. We believe our products and services that seek for depth, perfection and connectivity can provide highly differentiated value propositions to investors in other markets.

BUSINESS

OUR ACHIEVEMENTS

Since our inception, we have continued to expand our scope of services, achieving many “firsts” along the way within the industry. Set out below are our key business milestones:

Date	Key Business Milestones
October 2012	We obtained a Type 1 License for dealing in securities from the SFC, launched our proprietary Hong Kong securities trading system and commenced the operation of our online securities brokerage business in Hong Kong.
January 2018	We became registered in the U.S. as a broker-dealer.
July 2018	We started to provide completely online-based account opening services as the first securities broker in Hong Kong.
March 2019	We became listed on Nasdaq.
May 2019	We obtained a clearing license in the U.S.
August 2019	We launched our wealth management product distribution services business on our platform.
February 2021	We reached one million DAUs on our platform.
March 2021	We launched <i>moomoo</i> in Singapore and achieved 100,000 paying clients within three months.
March 2022	We launched our business in Australia after acquisition of Australian subsidiary that holds Australian Financial Services License (AFSL).
June 2022	We became the first online broker to officially receive full SGX memberships.

INNOVATIVE COMPANY

We are a pioneer in the online brokerage industry, with innovation as our core focus. Through our one-stop financial technology platform, we have achieved many “firsts” within the industry through our innovative business model. In July 2018, we were the first securities broker in Hong Kong to offer completely online-based account opening services, according to CIC, and since then, became the first online securities broker in Hong Kong to provide ESOP solution services to corporate clients, integrated money market instruments with trading, grey market trading services for Hong Kong IPOs and free Hong Kong Level II stock quotes for all Mainland China-based clients. We have integrated our various business streams across market data and information, user community and wealth management product distribution on one platform, providing customers with seamless all-round financial service experiences. We have

large user base in our user community, generating huge quantity of UGCs that facilitate user communication and interaction. We have established an intelligent risk control platform built on our proprietary algorithms, which is capable of analyzing different types, sources and stages of risks and providing margin ratio adjustment recommendations and early risk warnings. Leveraging our big data analytic capabilities, we have developed AI-based customer service function which can predict users' questions based on their past interactions with our application. We can also intelligently and accurately identify the true semantics behind the text of our users' questions through our natural language processing capabilities. Supported by our innovation, we have achieved substantial business growth in the rapidly growing online securities market.

Research and development in technology has contributed significantly to our business growth and success since our inception, allowing us to continually increase our portfolio of intellectual properties and improve products and services for our clients and users. In 2019, 2020, 2021 and the six months ended June 30, 2022, our research and development expenses amounted to approximately HK\$262.3 million, HK\$513.3 million, HK\$805.3 million and HK\$574.2 million (US\$73.2 million), respectively, accounting for 44.3%, 44.7%, 29.5% and 39.1% of our operating expenses for each corresponding period, respectively. Our ability to develop innovative solutions and enhance our existing service offerings is demonstrated by our heavily technology and research and development oriented employee structure. As of June 30, 2022, 1,641, or 63.5% of our total employees were engaged in our research and development function.

OUR PLATFORM

We operate a technology-driven online securities brokerage and wealth management product distribution platform, which enables us to digitally deliver a wide range of products and services to our users and clients in an integrated way. We enable an omni-terminal access to our platform from mobile phones, tablets and computers, either through our purpose-built applications or internet browsers.

Our primary platform, *Futubull*, is mainly available to users based in Hong Kong and Mainland China. *Futubull* allows investors to trade securities across major exchanges in Hong Kong and the U.S. and qualified securities under Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange quickly and securely, with access to margin financing and securities lending. We also offer wealth management product distribution services through our *Money Plus* brand on our *Futubull* and *moomoo* platform, where our clients can get access to a suite of fund and bond products. In addition to our core investment offerings, we also provide our users with a variety of value-added services designed to facilitate the investing process, including real-time stock quotes, market data and news as well as an interactive user community where our users can exchange investment views and experience. We also offer corporate services through our *Futu I&E* brand, such as IPO distribution, investor relations and marketing, as well as ESOP solution services. We also provide trust services to corporate clients.

As part of our international expansion, we developed and launched *moomoo*, the international version of *Futubull*, first in the U.S. in 2018 and more recently in Singapore in March 2021 and Australia in 2022. Our *moomoo* platform provides tailored services to clients in the U.S., Singapore and Australia through our local licensed entities Moomoo Financial Inc., Moomoo Financial Singapore and Futu Australia, respectively, after they open trading accounts with us in compliance with our account opening application, verification procedures and regulatory requirements in the relevant jurisdiction. For clients that have eligible identity documents for multiple jurisdictions, they may open multiple accounts on *Futubull* and/or *moomoo* through our respective local licensed entities as long as they open such trading accounts with us in compliance with the above-mentioned requirements in the relevant jurisdiction. Such accounts would be maintained separately by the respective local licensed entities with no asset or user data transferable in between. We provide differentiated offerings through our respective local licensed entities considering the varying customer demand and regulatory requirements. While all of our local licensed entities provide securities trading services on the Hong Kong Stock Exchange and the major exchanges in the U.S., additionally, our *moomoo* platform in Singapore and Australia, through Moomoo Financial Singapore and Futu Australia, also allows investors to trade securities listed on the Singapore Exchange or the Australian Securities Exchange, respectively. We have seen robust growth momentum and received encouraging user feedback since our debut in Singapore. *moomoo* reached the number one spot under the finance category and free download category of Singapore's iOS and Android App store within two months, and attracted over 220,000 users and 100,000 paying clients within three months.

Our platform is underpinned by a premier user experience. We are the first securities broker to provide completely online-based account opening services in Hong Kong, according to CIC. We have streamlined the account opening, fund transfer and trade execution processes on our platform to provide convenient and seamless investment experiences. Account opening on our platform requires filling out an online application which takes less than three minutes, followed by verification procedures facilitated by automated risk management systems. We also provide easy-to-use fund transfer services facilitating swift deposit and withdrawal of funds, allowing for bank-to-brokerage fund transfers in as fast as a few seconds. In addition, we provide our users and clients with access to all of our products and services from a single profile on our platform.

We serve both users and clients. Our “users” access *Futubull* and *moomoo* through our mobile or desktop applications or our website with registered user accounts. Our “clients” are our users who open one or more trading accounts with us; and our “paying clients” are our clients with assets in their trading accounts with us. As of June 30, 2022, we had over 18.6 million users, 3.0 million clients and around 1.4 million paying clients. In June 2022, our MAUs and average DAUs were approximately 2.1 million and 1.0 million, respectively.

OUR SERVICES

We provide our users and clients a comprehensive set of services throughout their investing experience. Our core services include trade execution, margin financing and securities lending, as well as wealth management product distribution. We provide a variety of value-added services in addition to our core offerings, many of which are free of charge, to address our clients' broader investment demands as well as increase general client engagement. All our services can be accessed through our platforms with a single profile across various terminals. The following diagram illustrates the comprehensive services we provide to our users and clients:



BUSINESS

The following table sets forth the components of our revenues by amounts and percentages of our total revenues for the periods indicated:

	For the Year ended December 31,						For the Six Months ended June 30,					
	2019		2020		2021		2021		2022			
	% of		% of		% of		% of		% of			
	total		total		total		total		total			
	Amount revenue		Amount revenue		Amount revenue		Amount revenue		Amount		revenue	
	HK\$		HK\$		HK\$		HK\$		HK\$		US\$	
(in thousands except for percentages)												
(unaudited)												
Brokerage commission and handling												
charge income	511,365	48.2	1,990,138	60.1	3,913,027	55.0	2,122,679	56.1	2,001,246	255,027	59.1	
Interest income	464,903	43.8	965,627	29.2	2,518,198	35.4	1,268,940	33.6	1,195,661	152,368	35.3	
Other income	85,287	8.0	355,057	10.7	684,095	9.6	389,842	10.3	190,821	24,317	5.6	
Total	1,061,555	100.0	3,310,822	100.0	7,115,320	100.0	3,781,461	100.0	3,387,728	431,712	100.0	

The following table sets forth the components of our brokerage commission and handling charge income by type of products traded during the Track Record Period:

	For the Year ended December 31,			For the Six Months ended June 30,		
	2019	2020	2021	2021	2022	
	HK\$	HK\$	HK\$	HK\$	HK\$	US\$
	(in thousands)					
	(unaudited)					
Securities and options						
brokerage	480,677	1,878,038	3,688,149	2,024,838	1,810,496	230,719
Futures brokerage	37	32,530	130,775	53,857	154,060	19,632
IPO brokerage	27,981	70,846	75,571	38,384	10,316	1,315
Others ⁽¹⁾	2,670	8,724	18,532	5,600	26,374	3,361
Total	511,365	1,990,138	3,913,027	2,122,679	2,001,246	255,027

Note:

- (1) Others include (i) handling fees, such as dividend collection fees, equity interest collection fees, corporate action handling fees, (ii) bond brokerage commission and (iii) service fees, such as ESOP handling charges.

BUSINESS

The following table sets forth the components of our interest income by product type during the Track Record Period:

	For the Year ended December 31,			For the Six months ended June 30,		
	2019	2020	2021	2021	2022	
	HK\$	HK\$	HK\$	HK\$	HK\$	US\$
	(in thousands)			(unaudited)		
Interest income						
Margin financing	221,648	497,975	1,720,473	786,095	766,722	97,706
Securities lending	37,202	73,792	397,505	233,929	182,124	23,209
Bank deposit	187,223	208,556	197,390	88,916	196,807	25,080
Bridge loan	6,172	1,078	1,872	–	48,235	6,147
IPO financing	12,658	184,226	200,567	160,000	750	96
Other financing ⁽¹⁾	–	–	391	–	1,023	130
Total	464,903	965,627	2,518,198	1,268,940	1,195,661	152,368

Note:

- (1) Other financing mainly includes the securities purchased under agreements to resell.

RETAIL SERVICES

Trade Execution

We provide easy-to-use trade execution services, allowing our clients to trade securities, such as stocks, ETFs, warrants, options and futures, across different markets. We serve clients from different countries and regions through our licensed subsidiaries in Hong Kong, Singapore, the U.S. and Australia:

- *Hong Kong:* We operate our securities brokerage business in Hong Kong through Futu International Hong Kong, our wholly-owned subsidiary incorporated in Hong Kong. We have been licensed by the SFC to carry out securities dealing and have become a participant of the Hong Kong Stock Exchange as a licensed broker since 2012. We also cooperate with CCASS to provide clearing and execution services for our brokerage business involving securities listed on the Hong Kong Stock Exchange and stocks qualified under Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

BUSINESS

- *Singapore:* We carry out our operations in Singapore through our Singapore-incorporated subsidiary Moomoo Financial Singapore, a licensed corporation registered with the Monetary Authority of Singapore with the Capital Markets Services Licence.
- *The U.S.:* We carry out our operations in the U.S. through our US-incorporated subsidiaries, including Moomoo Financial Inc., a licensed broker-dealer in the U.S., and Futu Clearing Inc., a licensed provider of clearing and settlement services for securities transactions in the U.S. financial markets in cooperation with the Depository Trust Clearing Corporation and its subsidiaries. See “— Licenses and Regulatory Approvals”.
- *Australia:* We carry out our operations in Australia through our Australia-incorporated subsidiary, Futu Australia, which holds an Australian Financial Services License granted and regulated by the Australian Securities and Investments Commission.

We provide comprehensive order types to meet our clients’ different trading strategies, including limit/market order, auction limit/market order, odd-lot order, stop loss limit/market order, touch limit/market order, trailing stop loss limit/market order and TWAP/VWAP order. In addition, we provide API services which allow clients to trade through our platform using their own program.

The trade execution process is entirely online and automated. We aggregate orders simultaneously and form trading instructions which are subsequently delivered to respective exchanges. Funds or securities are then transferred to or from our accounts upon settlement, which we then further remit back to the relevant trading accounts, after deducting the fees for our securities brokerage services, and are normally settled within two business days.

Prior to using our platform for the first time, our users and clients are required to accept our standard general terms and conditions which set out the key terms to our operations, and include other provisions such as anti-money laundering and data privacy.

As a licensed securities broker in Hong Kong with integration into the trading systems of the Hong Kong Stock Exchange and CCASS, we can independently manage all steps involved in processing securities transactions, including order confirmation, receipt, settlement, delivery, dividend collection and record-keeping, for securities listed on the Hong Kong Stock Exchange, including stocks, ETFs, warrants, options, futures, callable bull/bear contracts and stocks under Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. We also provide new share subscription and proprietary grey market trading services (also known as dark pool trading services) for IPOs on the Hong Kong Stock Exchange. Additionally, we had 502 throttling controllers connected to the trading system of the Hong Kong Stock Exchange as of June 30, 2022, allowing us to execute a large number of trading

transactions simultaneously and respond quickly to sudden surges in order volumes. As of June 30, 2022, we were capable of processing 1,004 Hong Kong listed securities trades per second, highest among securities brokers in the Hong Kong retail securities brokerage market, according to CIC.

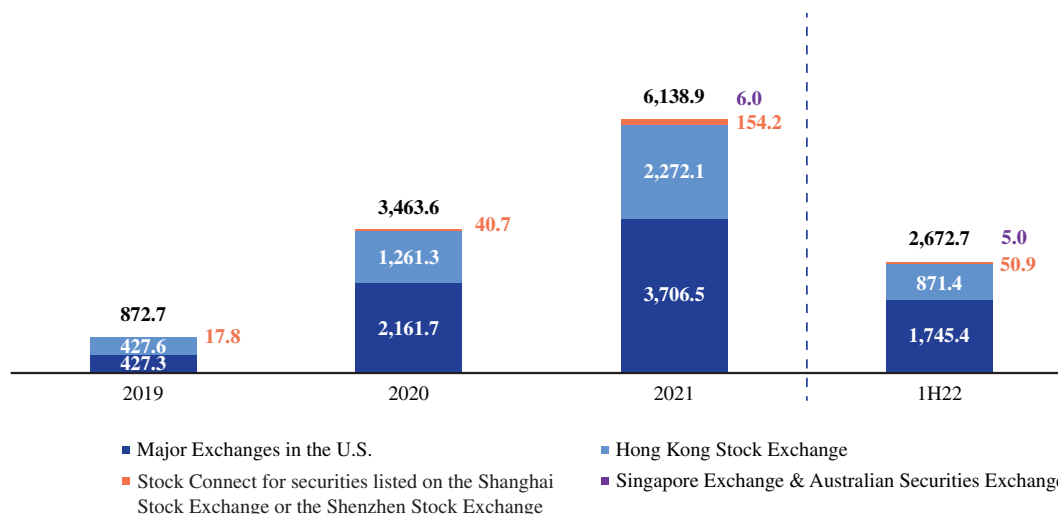
For securities including stocks, options and futures traded on the major exchanges in the U.S., the Singapore Exchange and the Australian Securities Exchange, we aggregate trade instructions from clients and, without disclosing underlying client names or fund details, collaborate with qualified local third-party clearing brokers for execution and settlement. In most cases, the agreements we enter into with such third-party clearing brokers are for an indefinite term, charging a tiered commission rate which they deduct directly from our account with them. In the case of securities traded on the major U.S. stock exchanges, we also execute and settle transactions through our self-clearing business except clearing for over-the-counter market and certain other products for which we are in the process of developing our support capabilities. From our client's perspective, the trading process is seamless as we handle all client communications and touchpoints, including delivery and receipt of funds. We intend to further enhance our self-clearing coverage and continue to develop our self-clearing business. We also provide new share subscription services in relation to selected IPOs on the New York Stock Exchange, the Nasdaq Stock Market and the Singapore Exchange.

As a result of the operational efficiencies afforded by our technology, we sustainably charge a competitive brokerage commission rate for online trading as compared to most of our market peers. In general, our revenues from securities brokerage services include brokerage commissions and handling charges from our clients, which are recognized on a trade-date basis when the relevant transactions are executed. During the Track Record Period, we charged commission rates of 0.03-0.05% of the total transaction amount for securities traded on the Hong Kong Stock Exchange, 0.01-0.03% of the total transaction amount for qualified securities under Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, and US\$0.0049 to US\$0.01 per share or US\$5 per transaction for securities on the major exchanges in the U.S. As of the Latest Practicable Date, we charged a commission rate of 0.03% of the transaction amount and a fixed or tiered platform service fee between HK\$1 to HK\$30 per order for securities traded on the Hong Kong Stock Exchange, a commission rate of 0.03% of the transaction amount and a fixed platform service fee of RMB15 per order for qualified securities on the Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, a commission rate of 0.03% of the transaction amount and a platform service fee of 0.03% of the transaction amount for securities traded on the Singapore Exchange, a commission rate of 0.03% of the transaction amount and a platform service fee of 0.05% of the transaction amount for securities traded on the Australian Securities Exchange, and a commission fee of US\$0.0049 per share per transaction and a platform service fee of US\$0.99 per order or US\$0.003 to US\$0.01 per share per transaction for securities on the major exchanges in the U.S.

BUSINESS

The total trading volume of transactions executed through our platform and the breakdown with respect to securities listed on different stock exchanges, over the Track Record Period, is shown as below:

Trading Volume by Stock Exchanges (in HK\$bn)



The brokerage commission and handling charge income we earned for securities traded on the Hong Kong Stock Exchange and the major exchanges in the U.S. accounted for 24.7% and 23.4% of our total revenues in 2019, 21.4% and 38.7% of our total revenues in 2020, and 17.3% and 37.6% of our total revenues in 2021 and 16.5% and 42.4% of our total revenues for the six months ended June 30, 2022, respectively.

Margin Financing and Securities Lending Services

We provide real-time and cross-market securities-backed financing to clients. Our margin financing and securities lending services have grown rapidly since introduction, reflecting our ability to cross-sell and our clients' receptivity to sophisticated investing services. As of June 30, 2022, 41.6% of our clients who had traded through our platform had used our margin financing and securities lending services.

Margin Financing

We started to offer margin financing to clients who trade securities listed on the Hong Kong Stock Exchange, the major exchanges in the U.S., qualified securities under the Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange and securities listed on the Singapore Exchange in July 2016, February 2017, July 2018 and January 2022, respectively.

BUSINESS

All financing extended to our clients is secured by acceptable securities pledged to us. Our trading system can automatically pledge cross-market account assets so that the value in a client's multiple trading accounts, which may include cash in different currencies and acceptable securities listed on different markets, will be aggregated when calculating the value of the client's collateral based on real time market foreign exchange rates. This provides significant efficiencies as it eliminates the costs and procedures involved in cross-market currency translation or exchange.

Our clients are eligible for margin financing services when they hold securities that are acceptable as pledges to us in their accounts. The credit line for each eligible client is determined based on the value of the securities across all of his or her trading accounts. Our eligible clients need to open margin financing accounts with us to enjoy such services. The eligible clients need to confirm the use of margin financing services when the funds in their accounts are not sufficient to purchase the desired securities and there is still sufficient balance in their credit lines. As of the Latest Practicable Date, we charged margin rates of 6.8% per annum for securities traded on the Hong Kong Stock Exchange, 4.8% per annum for securities traded on the Singapore Exchange, 4.8%-6.8% per annum for securities on the major exchanges in the U.S., and 6.8%-8.8% per annum for the qualified securities on the Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

A list of securities acceptable as collateral to us and their respective margin ratios are regularly updated and shared with our clients. The margin ratio for each of the acceptable securities is individually determined by our risk management team based on a number of factors including market capitalization, historical price volatility and turnover, financial fundamentals, prevailing market conditions, as well as financing terms offered by major financial institutions. The margin ratio is monitored in real time, and reviewed and adjusted on a regular basis, more frequently in the case of a significant and rapid price fluctuation. See “— Risk Management and Internal Control — Risk Management — Margin Financing and Securities Lending Risk Management.”

When we launched our margin financing business, we financed mostly from our own working capital and shareholder loans. We have since diversified the funding source of our margin financing through collaboration with our long-term independent third-party financial institution partners, which are all licensed banks or securities firms in the jurisdictions where we operate, where we can combine collateral from our clients into portfolios and pledge the portfolios to financial institutions for commercial loans with sound credit extension terms. As of June 30, 2022, 66.8% of margin financing was financed through our financial institution partners. For margin financing services related to securities listed on the Hong Kong Stock Exchange and major exchanges in the U.S., we have entered into loan facility agreements with commercial banks in which we agree on the maximum facility limit, maturity and annualized interest rates. In addition, for securities listed on the major exchanges in the U.S., an independent third-party Nasdaq-listed multinational brokerage company headquartered in the United States that we partner with for trade execution and settlement also extends to us margin financing credit on an aggregate basis, which we then distribute to our clients based on their orders after the relevant commissions and fees that we incur are deducted by such third-party

brokerage company. The business agreement we have entered into with such partner has an indefinite term, and requires us to continuously maintain sufficient margin requirements to reduce the risks involved with margin financing. Another source of funding comes from short-term securities sold under global master repurchase agreements to repurchase transactions with financial institution partners on industry-standard terms.

During the Track Record Period, we recorded substantial growth in our margin financing business. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the number of our margin financing clients was 20,423, 70,374, 137,421 and 135,642, respectively, with balance of margin financing amounted to HK\$4.14 billion, HK\$18.4 billion, HK\$29.1 billion and HK\$26.7 billion, respectively. We kept our default rate, calculated as our allowance for credit losses divided by balance of margin loans, at nil, 0.05%, 0.04% and 0.08% as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Securities Lending

For clients who trade securities listed on the Hong Kong Stock Exchange and major exchanges in the U.S., we offer securities lending service which allows our clients to pursue short-selling strategies. We launched our securities lending services for U.S. listed securities in February 2017, and for Hong Kong listed securities in December 2020. To borrow securities, our clients must pledge cash or acceptable securities from their trading accounts with us. For securities lending that we collaborate with third-party partners, the interest rate that we charge our clients is based on an annualized interest rate charged by our securities lending partners, plus a certain premium that we earn as interest income which is calculated based on the market value of securities borrowed by our clients, the duration of the borrowing and the short-selling interest rate.

After clients make a margin financing or securities lending order, the relevant funds or securities will be transferred to the client. Any margin financing or securities lending costs, including interests and securities lending fees for the month, are automatically deducted from our client's account at the end of each month.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we maintained a loan-to-value ratio with our margin financing clients of 21.2%, 20.6%, 24.3% and 22.3%, respectively, against the collateral value of the securities pledged to us. As of September 30, 2022, our loan-to-value ratio was 26.3%. We continuously monitor the loan-to-value ratio, and our Directors believe that we maintained a stable loan-to-value ratio throughout the Track Record Period. We also have a set of detailed measures aimed at mitigating our exposure to risks related our margin financing business. Please refer to “— Risk Management and Internal Control — Risk Management — Margin Financing and Securities Lending Risk Management” for details.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our margin financing and securities lending balance was HK\$4.8 billion, HK\$19.5 billion, HK\$30.3 billion and HK\$28.9 billion (US\$3.7 billion), respectively. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our interest income derived from margin financing and securities lending business was 24.4%, 17.3%, 29.8% and 28.0% of our total revenues, respectively.

In October 2019, we launched the Stock Yield Enhancement Program with a third-party brokerage company, allowing clients to earn interest on their U.S. securities positions by lending to such third-party brokerage company. Our clients can choose to opt in and out of the program at any time. When clients choose to participate in the program, we transfer their U.S. securities positions into a stock yield enhancement program account with the third-party brokerage company. Any interest income earned from these securities borrowed from our clients is split among the third-party brokerage company, the client and us on a monthly basis, after we receive payment from the third-party brokerage company.

Wealth Management Product Distribution Services

We offer online wealth management product distribution services under *Money Plus* brand through our *Futubull* and *moomoo* platforms, which provide our clients with access to mutual funds, private funds, bonds and other wealth management products, catering to their different investment targets and risk preferences. Except for certain limited securities investment advisory services provided in Hong Kong by Futu International Hong Kong, a corporation licensed for type 4 (advising on securities) regulated activities under the SFO, we had not provided any securities investment consultancy services in the PRC and/or any other jurisdictions during the Track Record Period and up to the Latest Practicable Date. Our income generated from wealth management product distribution services is categorized as other income in our financial statements.

- *Mutual Funds.* We selectively work with established fund houses to distribute their fund products, including money market, fixed income, equity and balanced fund products. In addition, our clients can opt to automatically invest idle cash in their accounts to money market funds to earn interest, which can be instantaneously redeemed upon trading, being the first online securities broker to offer such services in Hong Kong, according to CIC. Our clients can also choose to rebalance their fund allocation manually or automatically according to portfolio changes made by selected portfolio managers. We currently charge zero subscription fees from our clients, and share management fees based on negotiated commercial terms with the fund houses that provide mutual fund products, generally on a non-exclusive basis, such agreement being effective for an indefinite period. During the Track Record Period, our share of the management fees ranged from 0.04% to 1.4% of the AUM of the mutual funds.

- *Private Funds.* In June 2020, we began to offer private funds on *Futubull*, including fixed income funds, hedge funds and alternative investments, to professional investors only. Professional investor clients can view private funds information and make purchases on *Futubull*. Usually, subscription or redemption of private fund products can be made on a periodical basis. Clients can register an order on the platform, which records the order information but does not immediately make the subscription or redemption of the fund products. The subscription or redemption only happens after the deadline for the subscription or redemption of the private fund products has passed. We collect client orders and submit them to the corresponding fund houses after the deadline of the subscription or redemption of the private fund products. After the fund houses confirm the subscription or redemption orders, for the subscription orders, we will confirm the shares of funds to the clients, and for the redemption orders, we will confirm the net asset value and transfer the amount to the clients' accounts after receiving the proceeds from the fund houses. We charge a subscription fee on the private funds in most cases, which will be deducted from clients' accounts. Along with the subscription payment, we share management fees and, in some cases, incentive fees with the fund houses. We generally charge a subscription fee between 0% and 1.5% of the AUM of the private funds.
- *Bond Trading.* In September 2020, we launched our bond trading services on *Futubull* for fixed income securities, which are available to professional investors only. For bond trading, we charge the individual paying clients a fixed commission rate based on the trading volume, a platform service fee per transaction and an annualized fee on settlement as custodian. We do not charge bond issuers any fees.
- *Cash Sweep.* We started to offer cash sweep services to *Moomoo Financial Inc.* clients in November 2021 per their consent. Cash sweep services automatically deposit a client's idle U.S. dollar cash into interest-earning bank accounts maintained by us every working day. This service allows clients to earn interest income on their idle cash, while such cash remains available for trading as the cash deposited in the bank ("swept cash") can be redeemed upon trading. When clients' idle cash (including swept cash) is greater in amount than the swept cash, the difference will be transferred from the securities account to the bank, and when the idle cash is smaller in amount than the swept cash, the difference will be automatically withdrawn from the bank to the securities account. In terms of fund flow, we open corporate accounts with banks to deposit clients' idle cash at floating or fixed interest rates. We provide our cash sweep clients with interest income at certain interest rates, and the difference between interest income earned on our corporate accounts opened with banks and the clients' interest income we pay to them at pre-agreed interest rates after deducting service fees becomes our income.

We may enter into distribution or sub-distribution agreements with fund houses or other distributors to offer fund products. Fund houses or third-party platforms appoint us to distribute relevant fund products and pay commissions to us according to the terms of such agreements. At the same time, we are expected to comply with the terms specifying sales behavior in the distribution agreement. We do not disclose client information to the fund houses we collaborate with, and execute transactions solely through our own aggregated accounts. Our clients complete the entire transaction, access updated transaction records and monitor changes in positions through our *Futubull* and *moomoo* platform. The relevant fund management fees are charged by the funds, and are reflected in the net asset value of the funds. For mutual fund products, we share the management fees with the funds with no additional payment from the clients. For private fund products, we charge subscription fees in most cases and share the management fees with the funds.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, 17,573, 42,082, 139,178 and 202,736 clients held our wealth management products respectively, with client asset balance totaling HK\$6.1 billion, HK\$10.2 billion, HK\$18.8 billion and HK\$21.9 billion respectively during the same periods. As of June 30, 2022, we had established partnerships with 66 reputable asset management companies, and offered 151 fund products to clients on *Futubull* and 97 mutual fund products on *moomoo* to clients in Singapore.

Market Data and Information Services

We further enhance the investing experience with market data and information services such as news, research, and powerful analytical tools, providing clients with a data-rich foundation to simplify the investment decision-making process.

Market Data

We provide real-time stock quotes across the Hong Kong, Mainland China, the U.S., Singapore and Australia equity markets. Our Hong Kong Level II stock quotes are free for all Mainland China-based clients, being the first online securities broker in Hong Kong to do so, according to CIC, and for a monthly fee for clients based elsewhere. We also offer a variety of advanced stock quote services to our clients, for which we charge a monthly fee.

We provide a number of advanced and intuitive tools which allow our users and clients to customize the manner in which they monitor the capital markets. For instance, they can filter the broader market across a range of criteria including industry, valuation, trading volume and price volatility over a certain period of time. These filters are available across markets so our users and clients can monitor multiple markets simultaneously.

On an individual company basis, our users and clients can review and track detailed fundamental and technical analyses, including recent transaction details such as trading volumes by major brokers, historical and current valuations, analyst ratings and target prices, operating and financial metrics, compiled news and research, and other company specific content.

For each mutual fund, our users and clients can monitor fund performances, review detailed quantitative analyses, read complied news and fund specific content, and understand fund basics such as duration, top holdings and geographic and industry concentrations.

We generally enter into agreements with our market data suppliers with the salient terms as follows:

- Term: Usually one year, some with automatic one-year renewal
- Service Content: Services may include license authorization of market data and information for external and internal usages, and direct access line for various data feed. Indirect data vendors are contractually responsible for maintaining high data quality and stable data access
- Fees: Usually a fixed charge annually for data license and access, plus additional per user data charges
- Payment: Mostly on a monthly basis, while some are on a quarterly or yearly basis

Information Services

We distill investment information and trends into engaging, accessible and diversified content, guiding investors along their investing experience and helping to simplify the decision-making process. Our information services generally include real-time news alerts, earnings releases and corporate announcements, topical industry or company-level deep dives and proprietary data flows such as IPO pipeline that we compiled from external sources. Our information services are provided to the users free of charge.

We aggregate and curate our content through our internal content creation team and our collaboration with third-party resources, including leading international news agencies and market centers. We deliver our content across different formats including short-form news, graphics and extensive articles. Content is grouped by animated tags that facilitate easy searches and allow our users and clients to customize information feeds.

BUSINESS

We generally enter into agreements with our information service suppliers with the salient terms as follows:

- Term: Usually one year
- Service Content: Services may include license authorization of market news, which are generally transmitted through API. Suppliers will be responsible for the API stability and content generation
- Fees: Generally a fixed charge annually, with a few per person/usage charges
- Payment: Periodic payment or pay-per-use

User Community

We broaden our reach and promote the exchange of information through *NiuNiu/Moo Community*, our social network services on *Futubull* and *moomoo* platform, which has embedded social media tools to create a network centered around users. This user community reduces information asymmetry, supports the discovery of investment opportunities, facilitates investment decision-making and establishes a sense of camaraderie among our users.

On *NiuNiu/Moo Community*, we provide a variety of interactive tools and free content, including:

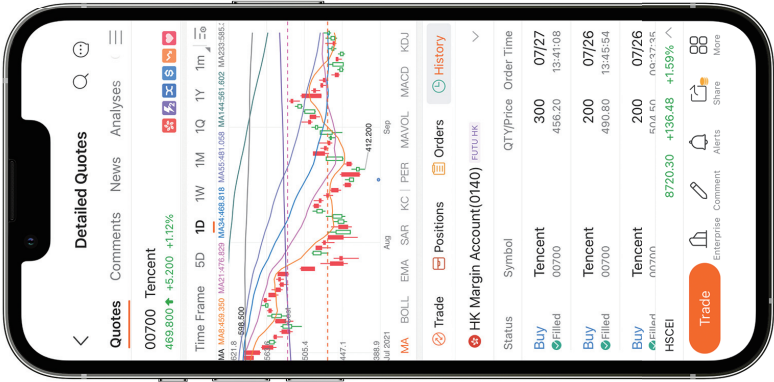
- *Courses*. We provide our users with necessary investment knowledge through pre-recorded videos and graphical presentations on financial terminology, investment products and other investment related topics, leveraging both our in-house and external resources;
- *Live Broadcasts*. Our users can watch live broadcasts hosted by enterprise clients such as listed companies and fund houses. Live broadcasts include earnings results, product launch and promotions, as well as investor Q&A sessions, which can be later replayed on demand; and
- *Forum*. Our clients can post and share their trading history, investment views and market insights, and interact with each other.

We have fostered a vibrant *NiuNiu/Moo Community*, which serves as an open forum for users to share insights, ask questions and exchange ideas, thereby enabling our users to maintain a strong sense of belonging. Specifically, *NiuNiu/Moo Community* offers the following unique features:

- **Participant diversity.** Our users can interact directly with other users, company executives and analysts within the investing community;
- **Extensive content.** Our content ranges from investing basics to sophisticated analytical guides for professional investors;
- **Lively and dynamic delivery.** All our content is designed for digital consumption and delivered through multiple media formats, such as short-form videos, recorded online lessons, chat rooms, live broadcasts and presentation slides; and
- **Feedback channel.** We use *NiuNiu/Moo Community* as an important source of feedback, which guides us to continue to optimize our product and service offerings.

As of June 30, 2022, over 1,500 enterprises, including public and private companies, fund houses, exchanges, and media and research institutions, held accounts in our user community. During 2021, on average we had an aggregate of approximately 190,000 UGCs generated on *NiuNiu/Moo Community* each trading day, which included a multitude of posts, comments and other interactive reactions to social media content. We continuously find ways to enhance the quality of content within our ecosystem. For example, we launched *NiuNiu Stars*, a systematic creator incentive program where we invite and reward content creators to further contribute to our user community with creative and high-quality content.

Trade Execution

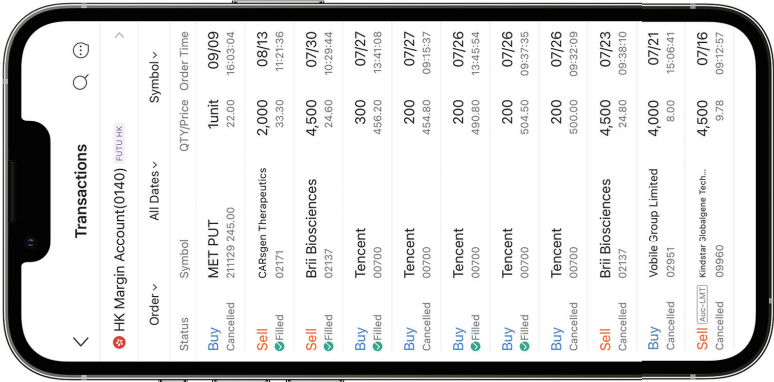


Real-time Quote

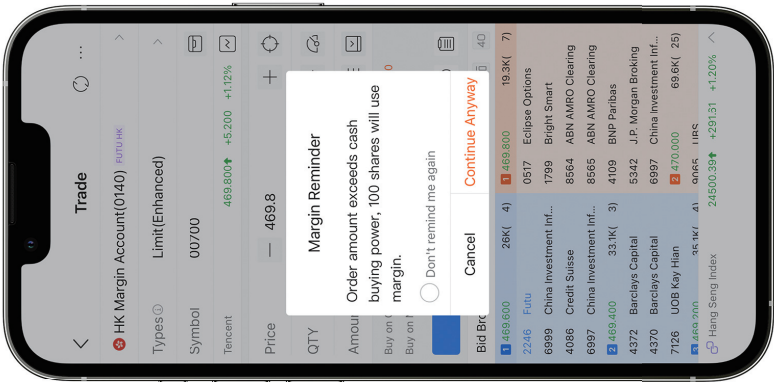
Margin Finance and Securities Lending



Trade Execution

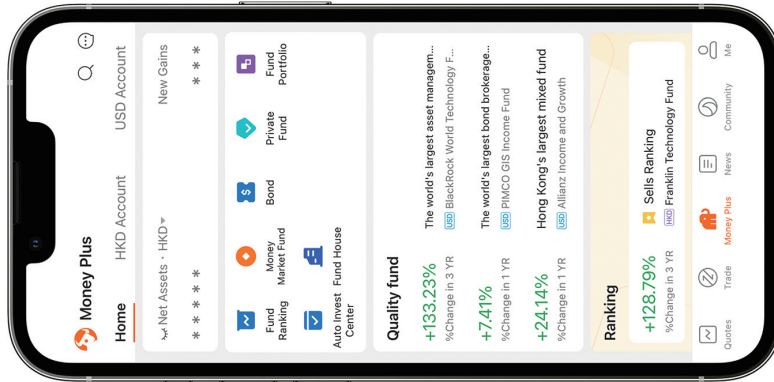


Trading History



Trade Confirmation

Wealth Management Services



Futu Money Plus Directory

Market Data and Information Services



Customized Watchlist

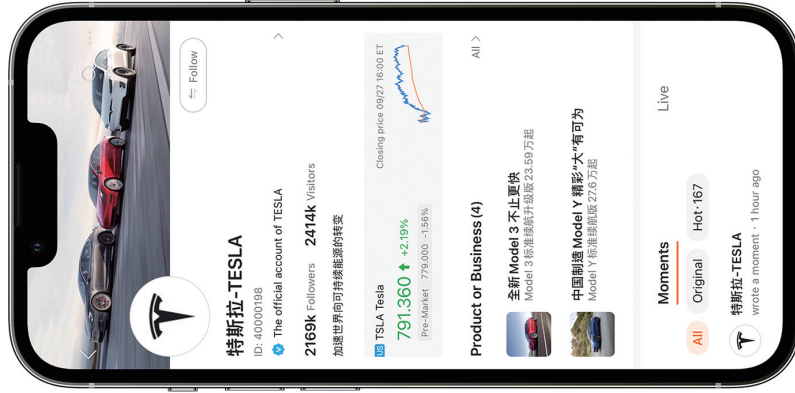
Diversified Portfolio

Detailed Analyses

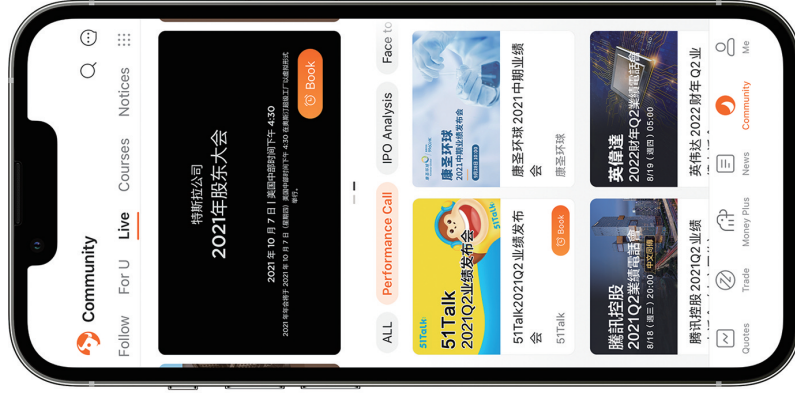
User Community



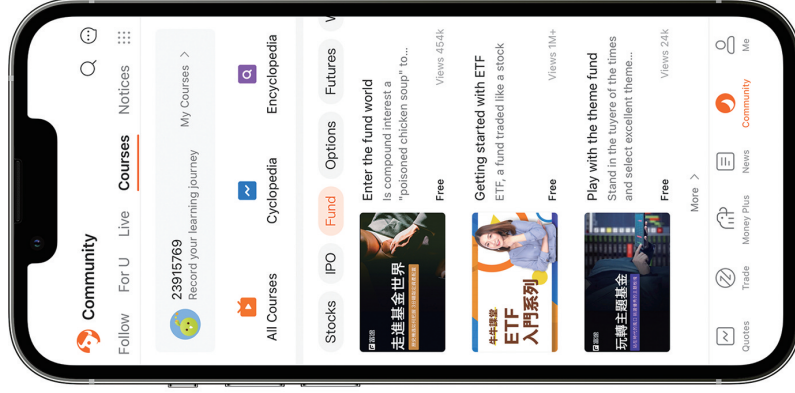
Tailored Highlights



Corporate Accounts



NiuNiu Live Broadcast



NiuNiu Classroom

Account Opening and Fund Transfer

Account Opening

Our users and clients can access all of our products and services with a single profile created on our platform. Opening a securities trading account has historically been a time-consuming and paper-intensive process. In developing our platform, we intended to reduce unnecessary friction and meaningfully improve the account opening process, which we believe is a significant driver of our client base growth. Our users can open multiple trading accounts for different products under a single profile at once, and we are the first securities broker to provide completely online-based account opening services in Hong Kong, according to CIC. Users can complete an account opening application online in as little as three minutes on our platform.

For investors who are residents in Hong Kong, the U.S., Singapore and Australia, the two steps involved in opening trading accounts with us are set forth below:

- *Step 1: Online application.* Users of our *Futubull* or *moomoo* platform, either through our mobile or desktop application, can click an embedded link to submit an online account opening application by following simple instructions. Users are required to submit personal information, employment history, financial conditions, source of funds and other related information. Users must also read and consent to a standard client agreement and other required documents and review a disclaimer audio which discloses trading risks presented by our licensed personnel.
- *Step 2: Verification procedures.* Upon receiving a completed online application, our automated risk management system will proceed to verify the applicant's identity. We automatically use the information supplied by the user to perform know-your-client and anti-money laundering screening. If a user's application passes the screening, the user is approved for a trading account. When we discover errors or inconsistencies during our examination of the applications, a second tier of review may require the clients to go through a few additional steps to authenticate their identities or verify their credentials.

For residents in Hong Kong, the prospective client can choose to complete such procedures either online or offline.

- o *Online:* A prospective client is required to (i) submit a copy of his or her Hong Kong photo identification, Hong Kong residential address proof and other relevant identification documents, (ii) link the trading account to be opened with his or her personal bank account opened with a qualified bank in Hong Kong or other eligible jurisdictions, and (iii) transfer a minimum of HK\$10,000 or US\$1,500 into the trading account from that personal bank account, or mail to us a cheque in such amount together with relevant identification documents. Once the prospective client's bank account information and other submitted documents match the information submitted during the online application, the online identification verification will be completed, and the trading account will be automatically opened.

- o *Offline*: A prospective client is required to meet a member of our verification team and conduct the abovementioned verification process with paper copies of critical documents.

Our prospective clients outside of Hong Kong can also open accounts with us following similar procedures with specific adjustments based on relevant regulatory requirements. The vast majority of our clients have opened accounts with us online. For further details on our verification procedures, see “— Risk Management and Internal Control — Risk Management — Securities Brokerage Service Risk Management.”

Corporates that would like to open an account with us are required to satisfy our counterparty risk requirements, such as providing a deed of guarantee. In addition, we perform our corporate due diligence procedures (including but not limited to, obtaining and verifying its identity and its ultimate beneficial owner, and conducting background check and client risk assessments) in accordance with the anti-money laundering guidelines issued and updated by the SFC from time to time. After the corporate is onboarded, we monitor their transactions and conduct due diligence on an ongoing basis.

Fund Transfer

We provide timely and free fund transfer services to our clients, enabling them to capture fast-moving investment opportunities. We support various fund transfer methods for payment of Hong Kong dollar, US dollar and offshore RMB. For payment from Hong Kong bank accounts, we support fund transfer via eDDA, bank-securities account transfer, FPS, internet banking, ATM/over-the-counter transfer and cheque. For payment from bank accounts of other overseas regions, we support fund transfer via ACH, wire transfer, DDA and local payment apps. In particular, bank-to-brokerage fund transfers can be completed in as fast as a few seconds, and are normally completed within five minutes. We do not allow payment from PRC bank accounts. See “— Legal Proceedings and Compliance — Currency Conversion.”

We do not charge our clients any withdrawal fees from their trading accounts. Cash withdrawal from trading accounts are normally completed within one trading day, whereas withdrawals from fund products normally take approximately two to five trading days, due to longer fund settlement time of the fund houses.

As the technologies and practices in connection with online trading accounts opening services are in the early stages of development, we are subject to evolving laws, regulations, guidelines, and other regulatory requirements with respect to our online account opening procedures. See “Risk Factors — Risks related to Our Business and Industry — We are subject to extensive and evolving regulatory requirements in the markets we operate in, non-compliance with which may result in penalties, limitations and prohibitions on our future business activities or suspension or revocation of our licenses and trading rights, and consequently may materially and adversely affect our business, financial condition, operations and prospects. In addition, we are involved in ongoing inquiries by several regulators.” See “Risk Factors — Risks related to Our Business and Industry — Our online client onboarding

BUSINESS

procedures historically did not strictly follow the specified steps set out by the relevant authorities in Hong Kong, which may subject us to regulatory actions in addition to remediation, which may include, reprimands, fines, limitations or prohibitions on our future business activities and/or suspension or revocation of Futu International Hong Kong's licenses and trading rights."

CORPORATE SERVICES

We provide value-added corporate services to our corporate clients through our integrated enterprise service brand, *Futu I&E*, which primarily include IPO distribution, investor relations and marketing and ESOP solution services. We also provide trust services to corporate clients. As of June 30, 2022, we had 276 IPO distribution and investor relations clients as well as 519 ESOP solutions clients. We have become a long-term partner of many leading new economy companies in China.

IPO Distribution

We have acted as the underwriter on 81 Hong Kong IPOs and 15 U.S. IPOs during the Track Record Period, including a number of landmark IPOs, such as those of Meituan Dianping, Xiaomi and XPeng. As of June 30, 2022, we had participated in ten IPOs on the Hong Kong Stock Exchange with WVR structure, which is usually an indicator of a new economy company, and generated over HK\$10 billion of subscription amount each for 29 Hong Kong IPOs. From August 2020 to June 2021, we have also participated in 86.7% of U.S. IPOs conducted by China-based companies that raised over USD500 million.

Set out below is a breakdown of our IPO distribution activity as an underwriter during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
Number of IPO transactions	9	24	51	12

We promote global offerings through multiple channels including targeted push notifications and professional investor roadshows, and keep the lead underwriters updated on the orders placed with us on a daily basis. After the bookbuilding process, we will make reasonable allocations to investors who have placed orders with us in accordance with allocation results and the requirements of the relevant stock exchanges. After the listing, our underwriting fees will be settled based on the underwriting fee rates and our underwriting results.

In addition, we also provide retail marketing services for Hong Kong IPO clients after commencement of Hong Kong public offerings through push notifications and deal information display on our platform.

Investor Relations and Marketing

We provide a wide range of investor relations and marketing tools and services to help companies manage their ongoing relationships with shareholders and market their brand. Through creating a corporate account on *NiuNiu/Moo Community*, our corporate clients can livestream their earnings release and product launch campaigns, post business milestones and advertisements, and interact directly with our users. Therefore, our platform provides a direct channel for our corporate clients to communicate with their existing and prospective investors and increase their brand and product awareness.

We enter into marketing agreements with our corporate clients, normally on a fixed term basis, and charge fees for promotional events based on negotiated commercial terms, taking into account market fee rates and the services provided. We provide flexibility to our clients in terms of settlement, allowing them to make payments before or after the relevant event, or in instalments.

ESOP Solution Services

We provide one-stop ESOP solution services to help our corporate clients with their ESOP administration, including the granting, vesting, exercise and settlement of the stock awards. In addition, we collaborate with other professional third parties to provide relevant tax planning and withholding services. Under our ESOP solution service agreements, we provide clients with instruction manuals, maintain and update our system periodically and backup our clients' data, and usually charge our clients quarterly based on the level of services they require, together with miscellaneous fees such as management and system implementation fees. If the customer has other needs such as training, we will make a separate quotation and enter into a supplementary agreement with the client for the required service. The service will be delivered after the clients' payments upon receiving our invoice.

ESOP solution has emerged as a signature corporate service of ours. We were the first online securities broker in Hong Kong to offer ESOP solution services to corporate clients, according to CIC. The service plays an increasingly important role in our client acquisition, allowing us to attract quality clients in a cost-effective manner. As of June 30, 2022, we had 519 ESOP solutions clients, covering the largest number of China's new economy companies listed overseas since 2018, according to CIC.

Trust Services

We launched our trust services in Hong Kong in March 2021 to provide employee benefit trust and family trust solutions, encompassing company formation, trust establishment and trust management. We charge one-off trust establishment fees and annual administrative fees for our trust services in accordance with the trust service agreements signed with our clients in Hong Kong.

Bridge Loan Services

One of our subsidiaries in Hong Kong, Futu Lending Limited, also holds a money lenders license issued by the licensing court under the Money Lenders Ordinance, which allows it to provide loans to its clients in its ordinary course of business. We provide limited bridge loan services to our selected clients on a case-by-case basis.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We have established a comprehensive and robust technology-driven risk management system to manage risks across our business and ensure compliance with relevant laws and regulations. Our risk management committee formulates key risk management policies and procedures and consists of a compliance officer with over 20 years of experience in the auditing, compliance and regulatory profession, a certified accounting officer with the Hong Kong Institute of Certified Public Accountants with over 10 years of experience in the financial industry, a risk officer who has over 17 years of experience in trading and risk management businesses, and 4 officers seasoned in the brokerage industry. Our risk management committee empowers our risk management team, consisting of eight employees having relevant experience between 8 to 22 years, to execute these policies and procedures.

Our risk management team meets regularly to examine credit, operational, compliance and enterprise risks and update guidelines and measures as necessary. Key tasks of our risk management team include client verifications, storage of client information, evaluation of clients' risk profiles, monitoring of infrastructure performance and stability, evaluation of risk concentrations, building and maintaining credit models, performing system-wide stress tests and conducting peer benchmarking and exogenous risk assessments. Our internal control, legal and compliance, and internal audit teams coordinate with our risk management team to jointly conduct regular and ad hoc audits on our business to ensure more effective internal control, daily operation, finance and accounting management and business operation.

Securities Brokerage Service Risk Management

We monitor client transactions on a real-time basis, seeking to identify any unusual or irregular trading activity. We have dedicated personnel to monitor account opening, security of funds and trading activities of clients and evaluate any irregularities immediately. In accordance with the relevant laws and regulations regarding client funds custody, we are required to maintain accounts with recognized commercial banks for the deposit of our client funds for settlement. To prevent misappropriation of client deposits, we have centralized the storage of our clients' trading data. We have also centralized management of the securities brokerage trading systems and settlement systems to enhance the security of client deposits.

As part of our risk management practice, we operate a strict due diligence of client information during the "know-your-client" process. Our account opening procedures are designed to ensure that our clients' account opening information is accurate, sufficient and in compliance with applicable regulations and our internal control policies. For Hong Kong-based clients who apply to open trading accounts with us online on *Futubull*, in addition to submitting personal identity information and documents, we require each prospective client to link his or her personal bank account opened with a qualified bank in Hong Kong or other eligible jurisdictions with the trading account to be opened with us and transfer no less than HK\$10,000 or US\$1,500. For our clients based outside of Hong Kong, we have similar due diligence procedures for account opening on *Futubull* in accordance with the relevant local laws and regulations. For offline account opening application, our verification staff will meet the prospective clients in person and interview them to verify the information submitted. On *moomoo*, Singapore, U.S. and Australia-based clients apply to open trading accounts with us online after submitting personal identity information and documents. As part of the customer due diligence and KYC process, the customer will also be screened against databases provided by third-party vendors.

For assessing investor suitability and risk profile, clients are required to provide personal financial status, investment experience and risk tolerance during the account opening process. For margin financing services, our eligible clients need to open margin financing accounts with us to have access to such services. When the funds in client accounts are not sufficient to purchase the desired securities and there is still sufficient balance in their credit lines, an alert will pop up and the eligible clients need to confirm the use of margin financing services. When a client submits an order to trade high-risk products, a pop-up window will be shown to ask for confirmation on their past related investment experience and understanding of the risk associated with the trades before proceeding.

We have established rigorous anti-money laundering internal control policies covering client identification, record keeping of client identity information and transaction records, reporting on large-sum and suspicious transactions, internal operation rules and control measures, confidentiality, training and publicity, anti-money laundering auditing, assisting investigation and execution as well as on-site inspections.

Margin Financing and Securities Lending Risk Management

We maintain and regularly update a list of acceptable securities as collateral, and determine the margin ratio for each such security individually, taking into consideration factors including market value, historical price volatility and turnover, financial fundamentals, prevailing market conditions and margin ratio offered by other market players. Our risk management team monitors and adjusts the list of acceptable securities and their margin ratios on a regular basis, and will promptly amend the list in the case of significant market movement.

We calculate margin requirements of each of our clients on a real-time basis across different markets and currencies. To control the overall risks involved in our margin financing business, we have adopted a margin call mechanism to ensure that the clients meet the margin requirements. A margin call will be triggered by a decline in the value of the collaterals and requires our clients to pledge additional cash or acceptable securities to meet the required margin ratio.

Once a margin call is initiated, we will request the client to increase pledged collateral or reduce exposure by liquidating all or some of the securities portfolio. If the client is unable to satisfy the margin call requirement within 48 hours and the value of the collateral remains below the required level, normally we will exercise our sole discretion to liquidate securities positions to facilitate margin compliance. In some cases, if the value of the collateral falls below the required level and deteriorates sharply, we may liquidate positions without giving prior notification to the client.

Our risk management system closely monitors and manages clients' credit risks. The purchasing power for each eligible client is determined based on the collateral held across all of his/her trading accounts and the pre-approved margin limit. The values of all collaterals and client account status are reflected in the system on a real-time basis. We also closely monitor concentration levels of top stocks in margin financing and securities lending services and the potential impact on excess liquid capital among other regulatory requirements on an ongoing basis. The system will automatically send a reminder message to clients if the client accounts are under margin calls. This feature allows our clients to proactively manage their positions in a timely manner and minimize the forced liquidation being taken.

Effective from January 1, 2020, we have adopted FASB ASC Topic 326 — “Financial Instruments — Credit Losses,” or ASC Topic 326, which replaced the incurred loss methodology with the current expected credit loss methodology. We adopted ASC Topic 326 using the modified retrospective approach for all in-scope assets. See “Financial Information — Significant Accounting Policies and Estimates — Current Expected Credit Losses” for further details.

Wealth Management Product Distribution Risk Management

We perform due diligence on all investment products and assign risk ratings for each mutual fund, private fund and bond we offer. We also perform client suitability assessment where each client is required to fill in a suitability questionnaire to determine his or her risk profile. A client can only purchase wealth management products with risk ratings that match his or her risk profile. Only professional investors can access private funds and bonds through our platform. We are not subject to any liability towards our paying clients in the event of default or misrepresentation of any of these wealth management products offered by external parties.

For investment in fund products, since we process each purchase and redemption order automatically online and record in our system in real time, both our risk management team and our clients can monitor corresponding changes in positions and orders in real time. We then submit aggregated orders to the corresponding fund houses, and upon their confirmation of successful purchase or redemption, we will update the client's account accordingly. As a result, we do not undertake any credit risk in connection with our wealth management product distribution services.

In order to ensure data accuracy in the transaction settlement process, we have developed a strict verification and reconciliation process, including the reconciliation of purchase and redemption orders and changes in clients' positions with corresponding fund houses within each trading day.

For bond trading, we submit each buy and sell order to a financial institution partner through real-time APIs, and record such order in our system. For each buy order, we first freeze a client's cash based on the expected order amount, and then submit the order to a financial institution partner. When the trade is completed, we will update the client's account accordingly and unfreeze the order amount. We therefore ensure that the client has sufficient cash to close the trade.

User Community Risk Management

We have adopted a number of measures to monitor and manage potential risks in connection with information disseminated on our *NiuNiu/Moo Community*. For example, we have an automatic filtering mechanism that prevents offensive, fraudulent and other inappropriate content from being posted to our platform. Moreover, we perform manual inspection of each post and live broadcast video uploaded to our *NiuNiu/Moo Community*, to ensure that content that is against our platform policies and applicable laws and regulations will be removed in time and responsible content creators will be banned from posting. In addition, we frequently share information on stock investment risks on *NiuNiu/Moo Community* to provide warnings against fraudulent activities and raise our users' risk awareness.

Treasury policy

As a substantial number of R&D personnel are mainly located in Mainland China and R&D related expenses are primarily incurred in Mainland China, we typically maintain a certain level of cash balance in Mainland China to meet such payment obligations. As such payments are generally made around the same time each month, we historically would estimate the surplus funds in our cash balance. We have a designated staff that monitors the cash balance on a monthly basis. For such surplus funds, we maintain an internal process in determining how to deploy such funds, taking into consideration such factors as our short-term payment obligations, fund safety, liquidity and profitability. During the Track Record Period, we generally deployed our surplus funds either into short-term bank deposits or to purchase certain available-for-sale financial securities, which include wealth management products issued by a commercial bank in Mainland China.

Our daily or short-term wealth management products are generally quoted as low risk in the product description guides published by the issuers. In order to maintain flexibility in anticipation of cash needs, the Group can redeem the units held upon request. During the Track Record Period, when we did not invest in these wealth management products, the surplus funds were deposited directly with banks.

We closely monitor our daily cash flows, bank deposits, future payment obligations, interest rates and foreign exchange rates. We also prepare monthly consolidated fund report to provide a timely overview of our overall cash position and liquidity and risk control measurements. Such reports are reviewed by our Chief Financial Officer, our financial controller and relevant teams in Hong Kong. We conduct routine trust reconciliation to ensure the consistency between our bank account and corporate internal record.

We maintain segregated deposit accounts with banks and authorized institutions of sound credit ratings to hold cash on behalf of clients arising from our normal course of business. We also strictly segregate and independently manage funds in our clients' trading accounts. Cash held on behalf of our clients are segregated and deposited in financial institutions as required by the Securities and Futures Ordinance and the Uniform Net Capital Rule (Rule 15c3-1).

Internal Control Measures

To ensure the ongoing implementation of our internal control and risk management policies, we have adopted among other things, the following risk management and internal control measures:

- We have established an audit committee comprising independent non-executive Directors to supervise our internal control systems;
- We have established an independent internal audit team with direct reporting lines to the audit committee to provide an independent evaluation of the effectiveness of our risk management and internal control systems through, among others, the deployment of various internal audit projects, receiving whistleblower reports through various channels and following up and investigating alleged fraudulent activities and monitoring the management's continuous improvement over our risk management and internal control systems;
 - o Historically, we and our independent registered public accounting firm identified a material weakness in our internal controls in the course of auditing our consolidated financial statements as of and for the year ended December 31, 2019. The material weakness identified related to our lack of sufficient and competent accounting and financial reporting personnel with appropriate knowledge of U.S. GAAP to design and implement robust period-end financial reporting policies and procedures for the preparation of consolidated financial statements and related disclosures in accordance with U.S. GAAP and the financial reporting requirements set forth by the SEC. Such weakness has since been rectified, and starting in 2019, to remediate such weakness, we have implemented effective internal control steps by taking various measures, including:
 - (i) hiring additional qualified financial accounting staff with working experience of U.S. GAAP and SEC reporting requirements;
 - (ii) establishing clear roles and responsibilities for accounting and financial reporting staff to address complex accounting and financial reporting issues;
 - (iii) formalizing the procedures and controls regarding the financial reporting process, and developing and implementing a comprehensive set of U.S. GAAP policies and standardized financial closing and reporting procedures;
 - (iv) sufficient and appropriate training for financial reporting and accounting personnel from time to time; and

- (v) enhancing internal control function to ensure proper design and implementation of our accounting policies and financial reporting procedures.

As of December 31, 2020, based on our management's assessment on the performance of the remediation measures, we determined that the material weakness had been remediated.

In preparation for the Listing, the Group has engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in October 2021 (the “**Internal Control Review**”).

The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including revenue and receivables, purchases and payables, fixed assets, treasury, financial reporting, payroll and IT general controls.

The Internal Control Consultant performed the follow-up review in July 2022 to review the status of the management actions taken by the Company to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow up Review.

The Internal Controls Review and the Follow up Review were conducted pursuant to Technical Bulletin-AATB1 “Assistance Options to New Applicants and Sponsors in connection with Due Diligence Obligations, including Internal Controls over Financial Reporting” issued by the HKICPA and based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. Our Directors are of the view that the information provided by our Group to the Internal Control Consultant is true, accurate, complete and not misleading in all material respects and our Directors consider the internal control of our Group is adequate.

- Our legal and compliance department will continue to oversee our legal and regulatory compliance related matters, including closely monitoring any update to applicable laws and regulations;
- We have established an internal control team to work closely with our business units to (i) offer professional advice with respect to risk management, (ii) improve internal process efficiency and monitor internal control effectiveness, and (iii) enhance risk awareness among our key management members; and
- We have developed additional measures, including implementation of internal control policy and provision of training programs to the relevant personnel.

Internal control on Treasury Policy

We have recorded the cash held on behalf of clients and the corresponding liabilities as accounts payable to our clients on the grounds that we are liable for any loss or misappropriation of our clients' monies. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions. Accordingly, to safeguard the cash held on behalf of clients, we have adopted among other things, the following internal control measures:

- to maintain segregated deposit accounts with banks and authorized institutions to hold cash on behalf of clients arising from our normal course of business;
- to deposit funds from clients in various banks and authorized financial institutions to reduce concentration risks;
- to regularly review the credit rating of these banks and authorized financial institutions to assess overall risks; and
- to strictly segregate and independently manage funds in our clients' trading accounts.

OUR USERS AND CLIENTS

Users and Clients

Our users engage *Futubull* and *moomoo* by downloading our mobile or desktop applications, or visiting our website, and registering a user account. Users are able to receive market data, technical analysis and other information services and engage in our community free of charge. The number of our users is determined based on the user accounts registered with *Futubull* and *moomoo*.

Our clients are defined as users who have opened trading accounts with us, and our paying clients are defined as our clients who have assets in their trading accounts with us.

Our clients are generally young and high earning. As of June 30, 2022, the average age of our paying clients was 37, which is also representative of the demographics of our user base. As of June 30, 2022, each of our paying clients had on average over HK\$310,000 of assets in their trading accounts with us.

Our users and clients are also active and loyal. In June 2022, our users who were active on a daily basis spent an average of 27.1 minutes per trading day on our *Futubull* platform. In June 2022, among the clients who visited *Futubull* and *moomoo* platform at least once, a client visited for 12.6 days on average. During the Track Record Period, we retained on average 98% of our paying client base on a quarterly basis, one of the highest retention rates among online securities brokers in Hong Kong, according to CIC.

BUSINESS

As of June 30, 2022, there were 15.6 million users who were yet to become our clients, representing an important pipeline for our client acquisition. We have significant potential to convert these users into clients and paying clients, and thus fuel the growth of our trading volume and revenues.

The table below sets forth the growth of our platform in terms of users, clients and client assets during the Track Record Period¹:

	As of/For the month ended December 31,			As of/For the month ended June 30,
	2019	2020	2021	2022
Users	7,513,887	11,916,648	17,374,296	18,649,821
MAUs	615,199	1,831,807	2,219,274	2,060,040
Average DAUs	208,340	679,565	985,630	983,167
Clients	717,842	1,419,734	2,751,239	3,021,790
Paying clients	198,382	516,721	1,244,222	1,387,146
Total client asset balance (HK\$ billion)	87.1	285.2	407.8	433.6
Average paying client asset balance (HK\$)	439,182	551,923	327,758	312,579

Note:

- For each relevant year/period prior to January 1, 2021, figures are only inclusive of those under *Futubull* or Futu International Hong Kong, as applicable. For each subsequent period since January 1, 2021, figures are also inclusive of those under *moomoo* or Moomoo Financial Inc., Moomoo Financial Singapore and Futu Australia, as applicable.

As of June 30, 2022, we had approximately 1.5 million users, over 614,000 clients and 365,000 paying clients on our *moomoo* platform, with a total client asset balance of approximately HK\$15.1 billion. Our MAUs and average DAUs on our *moomoo* platform for June 2022 were approximately 317,000 and 120,000, respectively. Our users and clients on our *moomoo* platform are primarily based in Singapore, the U.S. and Australia.

BUSINESS

Together with the growth of our trading platform, the client asset balance on our platform also increased for the markets that we serve. Set forth below is a breakdown by stock exchange of the total client asset balance on our platform during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
	<i>(HK\$ in millions)</i>			
Hong Kong Stock Exchange ¹ . .	41,887	134,381	204,591	228,521
Major stock exchanges				
in the U.S.	23,790	93,829	124,630	113,557
Singapore Exchange	—	—	1,360	1,977
Australian Securities Exchange .	—	—	—	23
Others ²	21,449	56,980	77,223	89,515

Notes:

- 1 Includes qualified northbound securities under Stock Connect listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.
- 2 Includes cash, balance of wealth management products and net balance of futures products.

Solely based on the citizenship provided by the individual clients at the time of account opening or further updated subsequently, approximately 68%, 31% and 1% of our individual paying clients as of December 31, 2019, 55%, 44% and 1% of our individual paying clients as of December 31, 2020, 38%, 39% and 23% of our individual paying clients as of December 31, 2021 and 35%, 39% and 26% of our individual paying clients as of June 30, 2022 were related to Mainland China, Hong Kong and other markets, respectively. Solely based on the citizenship provided by the individual clients at the time of account opening or further updated subsequently, regardless of their residency, and the location where services were originated or conducted for corporate counterparties, our revenue related to Mainland China, Hong Kong and other markets accounted for approximately 69%, 30% and 1% of our total revenue in 2019, 60%, 39% and 1% of our total revenue in 2020, 52%, 46% and 2% of our total revenue in 2021, and 44%, 48% and 8% of our total revenue for the six months ended June 30, 2022, respectively. The decrease in the proportion of our revenue related to Mainland China during the Track Record Period was mainly due to our Group's global expansion strategies and our growing and high proportion of newly added overseas clients. The revenue breakdown is not derived from our management accounts and is solely based on the relevant business data and our management estimate. Our Group does not distinguish between markets or segments for the purpose of internal reporting and has only one reportable segment in its consolidated financial statements.

Corporate Clients

Our corporate clients are defined as corporate users to whom we have provided any of our corporate services. Our corporate client base has been expanding since we started to provide corporate services.

Our corporate clients actively contribute to our user community by delivering timely product and business updates to our users, thereby breaking down information asymmetry and providing bases for investment decisions.

User and Client Acquisition

We grow our client base mainly through (i) word-of-mouth referrals, (ii) corporate services and (iii) online and offline marketing and promotional activities. For further details, see “— Sales and Marketing” below.

User and Client Support

We have developed our proprietary and customized customer service system to connect our users and clients with our customer service staff and technology experts directly through online chat or customer service hotline around the clock. Our customer service representatives receive regular training regarding our platform and services as well as critical communication skills such as managing client complaints. Users can also post feedback and suggestions on *NiuNiu/Moo Community* tagging our official accounts, product managers or even our chief executive officer, which we will strive to respond to promptly.

We also proactively seek user and client feedback. For example, we initiate online communications and activities on major social media platforms and our *NiuNiu/Moo Community* to seek feedback from our users and clients. We reach out to our clients to discuss their experience with our platform and solicit ways in which we can improve. We also provide our corporate clients with similar services, where we have dedicated customer service teams to attend to any issues our corporate clients may encounter, striving to respond as soon as possible. Our corporate clients can also reach out to us anytime and discuss any improvements and changes to the services that we provide.

SALES AND MARKETING

Word-of-mouth referrals

We grow our client base through word-of-mouth referral, thanks to our premier user experience and high client loyalty. As a result of our high brand awareness, we benefited from significant organic traffic, contributing to over half of our new paying clients in 2020 and 2021.

Corporate Services

We also bring in clients through corporate services. For example, our ESOP solution services have emerged as our signature corporate service and proved pivotal for efficient client acquisition. Once an ESOP account of a corporate is established, we can connect with beneficiary employees, and are better positioned to serve their ongoing stock trading needs once their stock awards are vested. This has allowed us to attract quality clients in a cost-effective manner. By providing IPO distribution services to new economy companies with high demand in the market, we can promote our brand and attract new clients.

Online and offline marketing and promotional activities

We cooperate with external marketing channels for user and client acquisition. For example, we purchase keyword search services on search engines for marketing purposes, post promotional videos on popular video sharing sites, host online seminars and lectures, and periodically send e-mails and messages to our users about our latest services and events. In addition, we also conduct offline advertising via outdoor bulletin boards, magazines, campus promotions and television commercials, which plays an important role in generating brand exposure.

We also conduct promotions and marketing campaigns on our platform from time to time, such as offering free commissions to clients who open trading accounts with us within a certain period of time. We have a marketing committee responsible for formulating our monthly marketing and brand promotion strategies and guiding our dedicated marketing team for strategy implementation. We have a skilled and dedicated marketing team that is familiar with and in sync with ever-changing market trends and preferences.

During the Track Record Period, we recorded selling and marketing expenses of HK\$164.7 million, HK\$385.3 million, HK\$1,392.1 million and HK\$507.2 million (US\$64.6 million) for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

OUR TECHNOLOGY

Our commitment to improving our technology has played an important role in our ability to continually develop and improve our products and services for our users and clients, which has enabled us to maintain our competitive advantage and facilitate the execution of our growth strategies. The purpose-built nature of our technology enables our platform to be adaptable and we can react quickly to industry and regulatory changes in a highly scalable way.

In May 2020, we established a technology committee headed by Mr. Leaf Hua Li, our founder, chairman and chief executive officer, and comprised of key personnel in our research and development department. The key responsibilities of the technology committee include formulating technology development strategies, optimizing the existing technology infrastructure and implementing large-scale technology projects. The committee members have extensive experience in the industry and will further boost our technology leadership and advancement.

Industry-leading proprietary integrated cross-market system

Our proprietary, easy-to-use and integrated cross-market system allows our clients to execute trades for securities listed on the Hong Kong Stock Exchange, the major exchanges in the U.S., the Singapore Exchange or the Australian Securities Exchange or qualified under the Stock Connect and listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange from a single platform. The system provides unified functionality extending from core trading to risk management, as well as multi-currency and multi-market settlement through our self-developed modularized architecture, supported by real-time advanced service-level-agreement monitoring and quality monitoring services, in order to ensure a superior client experience. By virtue of our technical edge, the online application process for opening an account can typically be completed in as little as three minutes, also an industry high among our other major competitors in the Hong Kong retail securities brokerage market, according to CIC.

Highly stable, scalable and secure system

Our distributed, cloud-based infrastructure is the foundation of our trading system, employing a number of interrelated servers to mitigate the risk of a single server disrupting the whole system. We invest significantly to ensure platform stability, and achieved over 99.9% of service availability rate on our platform in 2020 and 2021, the highest among securities brokers in Hong Kong, according to CIC. As of June 30, 2022, our platform was able to support approximately 1,004 Hong Kong listed securities trades per second, being the highest among our major competitors in the Hong Kong retail securities brokerage market, according to CIC.

Our platform adopts modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functionality of other components.

We utilize sophisticated user interface design technology and embed a number of modules in each user interface. By simply duplicating one specific existing user interface module as needed, we effectively improve the efficiency of user interface development and the stability and consistency of performance and functionality among different user interfaces, which eventually improves user experience.

We recognize that the reliability and security of our platform is critical to our clients. Our platform features an automated multi-level protection mechanism to ensure the services we deliver to our users and clients are secure. We have adopted strict security policies and measures, including data encryption and a two-factor authentication function, to protect our proprietary data such as clients' personal information and trading data. Our technology system analyzes and predicts malicious attacks and enables us to respond to challenges and attacks promptly.

Agile research and development capabilities

Through the construction and continual optimization of research and development tools and components, we have achieved a high level of research and development efficiency, while ensuring service quality and system stability. In 2021, we released 153 application upgrades and 5,689 new product features for our users, the most in the Hong Kong retail securities brokerage market, according to CIC. To further improve research and development efficiency, we built our activity configuration system with configurable template abstraction for various routine operational activities. The average launch cycle and necessary manpower for such activities have been effectively reduced compared to traditional development methods.

In addition, we believe that our heavily tech- and research- and development-oriented employee structure lays a solid foundation for our ability to continually develop innovative solutions and enhance our existing service offerings. Our research and development teams are primarily organized into four areas, including finance business, internet business, big data and growth as well as engineering technology. Our core research and development team consists of experienced engineers and technology experts with extensive experience in structure design supporting massive transactions, and the majority of them have professional working experience with leading internet and technology platforms in China. Most of our research and development personnel are based in Shenzhen, China. See “— Data Security and Privacy” below for further information.

DATA SECURITY AND PRIVACY

We have established a comprehensive security system, *Futu Monolith Safety Protection System* (“**FMSPS**”) to provide industry-leading level of protection of information related to our clients, their accounts and their transactions with the support of our network situational awareness and risk management system. FMSPS has obtained ISO27001 Information Securities Management System Certification.

We have a data security team of engineers and technicians dedicated to protecting the security of our data. We have also adopted a strict data protection policy to ensure the security of our proprietary data. We apply encryption algorithms with high security levels to all user activities such as logins, account asset reviews and transaction records to ensure data safety. Our official website is equipped with a 2048-bit EV certificate, and all data transmissions are completed through encrypted channels. Our platform maintains a high data protection standard, with a random key applied to each data transmission to ensure the security of the information.

To ensure data security and avoid data leakage, we have established stringent internal protocols under which we have clear instructions on how to handle and store the different types of data that we receive. We categorize the operating, business and management data that we receive into varying levels of sensitivity. For confidential personal data, we grant classified access only to limited employees with strictly defined and layered access authority. We have also set up a firewall to segregate our core user data and require strict access digital permission to access any core data throughout our entire operation. We strictly control and manage the use of data within our various departments and do not share any personal data of our users and clients with external third parties. We have measures in place to prevent staff from improperly using client information. We also seek consent from our users as to the methods and ways in which we collect and use their data, in accordance with the data protection laws and regulations in the relevant local jurisdictions.

On the client side, we have developed a proprietary two-factor authentication function to provide enhanced account security. If a client logs in to his or her account through a different device, both the account password and a dynamic verification token are required for authentication. Two-factor authentication is also required when a client wants to access his or her core data, such as account opening information and account assets. We store such core data on an isolated network separately from other data, which has greatly improved our data security. A client can also activate the two-factor authentication function for placing trading orders, where he or she is required to provide both the transaction password and a dynamic verification token.

Aside from maintaining regular self-inspection to ensure compliance, we have also engaged external law firms and professional cybersecurity teams to conduct regular cybersecurity studies, examinations and inspections so as to optimize our systems and boost our risk prevention capabilities. While we are subject to similar data and privacy protection requirements in other markets in which we operate, including the U.S., Singapore and Australia, we have been closely monitoring the latest regulatory developments and optimizing our compliance practices. We continuously and actively communicate with regulators, strengthen internal training to enhance employees' awareness on personal information protection, and hone our capabilities of safeguarding personal information. See "Risk Factors — Risks Related to Our Business and Industry — If we fail to protect our platform or the information of our users and clients, whether due to cyber-attacks, computer viruses, physical or electronic break-in, breaches by third parties or other reasons, we may be subject to liabilities imposed by relevant laws and regulations, and our reputation and business may be materially and adversely affected."

INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness. We currently hold a collection of intellectual property rights relating to certain aspects of our business operation. As of June 30, 2022, we owned over 100 computer software copyrights in China. We also maintained trademark registrations worldwide, including over 340 in Mainland China, over 120 in Hong Kong, 20 in the United States, 40 in Singapore and over 200 in other countries and regions. As of June 30, 2022, we had over 150 patents granted in China, 3 patents granted in Hong Kong, 10 patents granted in Singapore and 10 patents granted in Australia. As of June 30, 2022, we had registered over 100 domain names.

We protect our intellectual property rights, including trademarks, patents, copyrights and domain names, strictly in accordance with the relevant laws and regulations. We regularly improve and update our intellectual property management system in line with the development of our business. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. We also typically require our employees who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations.

For details of our intellectual property rights, see "Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights".

OUR CUSTOMERS AND SUPPLIERS

We have a broad base of customers, primarily consisting of (i) paying clients and (ii) corporate clients. Our top five customers over the Track Record Period accounted for less than 10% of our total revenue for each of the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022. To the best of our knowledge, all of our top five customers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five customers during the Track Record Period.

We have no major suppliers due to the characteristics of our principal business activities.

COMPETITION

The market for online securities brokerage services is emerging and rapidly evolving. As a pioneer in online securities brokerage market, we position ourselves as an online retail securities broker based in Hong Kong with an expanded international footprint in Singapore, the United States, Australia, as well as strong background and abundant resources in the PRC. We currently compete with two types of competitors in these markets, including (i) pure-play online securities brokerage companies; (ii) traditional securities brokerage companies, featuring a combination of online and offline channels, and securities brokerage business units within commercial banks.

We compete primarily on the basis of:

- client base and user engagement;
- technology infrastructure;
- research and development capabilities;
- security and credibility of the platform;
- brand recognition and reputation;
- operational compliance with applicable regulatory requirements; and
- operating leverage.

We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, many of our current or future competitors may have longer operating histories, greater brand recognition, stronger infrastructure, larger client bases or greater financial, technical or marketing resources than we do. See “Risk Factors — Risks Relating to

BUSINESS

our Business and Industry — We face significant competition in the online securities brokerage and wealth management industries, and if we are unable to compete effectively, we may lose our market share and our results of operations and financial condition may be materially and adversely affected.”

EMPLOYEES

As of June 30, 2022, we had a total of 2,586 employees. Among these employees, 2,286 employees were located in Mainland China, 147 employees were located in Hong Kong, 86 employees were located in the United States, 48 employees were located in Singapore and 19 employees were located in Australia. We had a total of 847, 1,315 and 2,318 employees as of December 31, 2019, 2020 and 2021, respectively.

The following table sets forth a breakdown of our employees by function as of June 30, 2022:

	As of June 30, 2022	
	Number	%
Research and development	1,641	63.5
Customer services and operations	396	15.3
General and administration	349	13.5
Marketing	200	7.7
Total	<u>2,586</u>	<u>100.0</u>

We participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance, as required by laws and regulations in the PRC. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We are also required under Hong Kong laws to enroll all eligible employees in Hong Kong to their mandatory provident fund (“MPF”) scheme. Both the employees and us are each required to contribute certain percentage of an employee’s salary (subject to a statutory cap at HK\$1,500) per month to a retirement scheme that is registered as a MPF scheme. For our employees in the United States, we make similar contributions to a defined contribution retirement plan under section 401(k) of the Internal Revenue Code. For our employees in Singapore, we make payments to the Central Provident Fund as part of their defined contribution retirement plan.

We also have a systematic performance evaluation system which provides the basis for human resource decisions such as remuneration adjustments, career promotion and talent cultivation.

We enter into standard labor contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management. The non-compete restricted period ranges typically between six months and two years after the termination of employment, depending on the jurisdiction in which our employees are located, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we had not experienced any significant labor disputes during the Track Record Period.

HEALTH, WORK SAFETY, SOCIAL RESPONSIBILITY AND ENVIRONMENTAL MATTERS

We do not operate any production facilities. Therefore, we are not subject to significant health, work safety, social or environmental risks. We strive to provide employees with a safe and healthy work environment. We have not had any significant workplace accidents in our history. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

We have adopted internal policies on (i) our governance regarding ESG risks, (ii) our ESG strategies and (iii) identification of the relevant metrics and targets in the long run. Such internal policies include our Code of Business Conduct and Ethics, Anti-Corruption Compliance Policy and Employee Code of Conduct. Our Board of Directors is responsible for the oversight and management of key ESG risks, and the implementation of our ESG strategies is taken care by our management and relevant departments. We are aware of the impact of potential changes in social trend and political policies relating to ESG on our business model, and will keep close monitor of the relevant changes in accordance with the aforementioned scheme. See “Risk Factors — Risks Related to Our Business and Industry — Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operations.”

During the Track Record Period and up to the Latest Practicable Date, our business, financial conditions and results of operations had not been materially adversely impacted by ESG risks including those relating to health, work safety, environmental, social or climate-related issues. We do not operate any production facility and the potential impact of environment related regulatory development on our business operations and financial conditions is limited. As an online financial services platform, we do not currently foresee any materials risks in this regard. However, we have been committed to mitigating any potential risks in the mid- to long-term. For instance, we proactively monitor risks posed by climate changes, assess their potential impact on our business operations, and take appropriate actions to mitigate such risks. The primary risks posed by climate changes to our business include physical risks and transition risks. The physical risks mainly result from extreme climate

hazards and long-term chronic risks. In addition, sea level rise and other risks may result in depreciation and loss of physical assets. We have formulated emergency measures for extreme climate hazards to minimize the risk of interruption to our operations and loss of assets. In addition, as part of our carbon neutrality initiatives, we have taken steps to deal with transition risks arisen from accelerated transformation to low-carbon lifestyle globally.

We endeavor to limit our carbon emissions and promote green operations during the ordinary course of business and it has become part of our corporate culture. As an online financial services platform that provides almost all of our financial services online, we have been a pioneer in the industry to embrace paperless trading environment and substantially decrease the consumption of resources including water, electricity and paper in our daily operations. In July 2018, we were the first securities broker in Hong Kong to offer completely online-based account opening services, according to CIC. Clients can access their monthly or daily statements through our *Futubull* and *moomoo* platform. We also send electronic statements for their easy reference through emails, and therefore completely get rid of paper applications, orders and statements which have been heavily used by traditional financial service providers since long ago and till today. We have been constantly expanding our business operations supported by public cloud services, with future plans to limit utilization of physical data centres. We anticipate substantial reduction of procurement and operational costs through the transfer to public cloud services, and will be able to support the further reduction in energy consumption brought by upgraded cloud technologies. In addition, we have also initiated our upgrade of technology infrastructure to Go language and cloud-native architecture since 2022, with anticipated reduction of server costs through auto scaling after completion of the upgrade and expected enhancement in resource consumption efficiency.

We operate most of our businesses digitally and utilize cloud-based services to reduce consumption of paper from client end and in all the offices and renovate our offices with environmental-friendly materials, in an effort to keep our carbon consumption low. For example, we arrange our office superintendents to inspect the building regularly and turn down the lights in empty rooms and urge the employees to turn off the computers before leaving office. We have imposed office policies for air conditioning in considerations of season, weather and use scenarios to manage the energy consumption of air conditioning and have displayed notices on environmental protection around the office to remind our employees of the potential positive environmental impact that could be brought by taking steps forward.

We have taken a series of health and safety measures in response to the COVID-19 pandemic to protect our employees, including the following:

- *Control over the entry and exit points of our office premises.* We require persons who come into our office to wear masks and pass temperature checks, before they are allowed to enter our premises. Our employees are also required to present their staff identification cards, and visitors are required to provide their personal information before entering. Our entrances and exits are also located in different parts of the building, minimizing interaction.

- *Office premises and equipment management.* We arrange for frequent disinfectant or alcohol cleaning of our common areas, including conference rooms, pantries, corridors and lavatories, as well as office workstations and equipment. We also ensure proper air circulation within our office premises. In addition, we recommend our employees to dine separately to reduce the risk of cross-infection.
- *Contingency arrangements.* We have established protocols to timely update our employees in COVID-related emergencies. Employees who have been to high-risk areas, or have recorded high temperatures, are required to self-isolate and undergo testing before they are permitted to return to our office premises. For our headquarters in Shenzhen, China, we have a dedicated isolation room should we ever encounter an emergency.

Social Responsibility

Contributing to the wider community

We are committed to social responsibility and contributing to the wider community. First and foremost, we will continue to lower investment barriers and make investing easier for everyone. Our free investment videos on *Futubull* and *moomoo* provide users with investment knowledge and help them better understand investment risks. We seek to improve our user's financial literacy, which we believe is critical for them to achieve their long-term investment goals.

Over the years, we have participated in the "Trailwalker" fundraising event organized by Oxfam, the contributions of which are used to alleviate global poverty and provide disaster relief. We encourage our employees to participate in this hiking event while also raising awareness on inequality and fostering a mindset of social responsibility.

We have always strived to bring positive benefits to the environment and wider society as a whole. Our Hong Kong subsidiary, Futu Securities, regularly participates in voluntary shoreline cleanup operations in Hong Kong. The operations aim to support the community and respond to the problem of marine debris with actions to create a cleaner coast, which are in line with our continuous commitment to sustainability and innovation.

During the COVID-19 pandemic, Futu Securities has also distributed testing kits and masks to the general public in Hong Kong through simple sign-ups on the *Futubull* platform, contributing to the aggregated efforts of the community to fight against the pandemic.

Employee development

As a “people’s first” company, our employees are an integral part of our business, and we seek to identify and develop talents through the following methods:

- *Comprehensive training.* We provide our employees with a variety of training, and support their personal development. In the six months ended June 30, 2022, we have scheduled training sessions over many different topics that had an accumulated attendance of 30,170, allowing our employees to broaden their knowledge in different areas.
- *Leadership courses.* We also provide our employees with leadership training based on their different career development stages, ranging from reserve deputy team leader to director level and above training. We also provide a series of management and leadership courses every quarter for management at all levels. In 2021, our employees collectively spent over 430 hours on management training. For the six months ended June 30, 2022, our employees collectively spent over 2,518 hours on online and offline management training, the accumulated attendance of which reached 1,299.
- *Graduate training.* In July 2021, we also provided a full-time training program to 145 fresh graduates over a week, to help them gain workplace skills, accumulate industry knowledge and quickly integrate into the working environment.
- *Personal qualifications.* We also encourage and sponsor our employees to further their education and obtain additional qualifications, including professional and recognized qualifications within the financial industry.

Health, safety and wellbeing

It is our priority to protect the physical and mental health, safety and wellbeing of our employees, and we have implemented various internal policies and measures accordingly, including:

- *Healthy work-life balance.* Together with our comprehensive benefits package, we encourage our employees to pursue a healthy work-life balance. We provide fitness facilities and regularly organize social and team-bonding activities to ensure a positive and cohesive work environment for all.

- *Internal feedback.* From time to time, we conduct internal employee satisfaction surveys on an anonymous basis to obtain feedback and address any issues accordingly. In 2021, we invited over 1,100 employees to partake in a survey regarding the organizational and talent management of our Group, for which we achieved a response rate of over 76%. Based on the survey feedback, we were one of the four winners out of 249 companies of the “2021 China Organizational Capabilities Survey Best Practice Award” co-sponsored by KNX, Tencent Consulting and YCA Y-Triangle CEO Alliance, recognized for our capabilities to achieve effective internal management.
- *Anti-discrimination.* We have strict policies on equal employment opportunities, prohibiting any form of discrimination based on race, color, belief, religion, gender, sexual orientation, among others.
- *Anti-sexual harassment.* We have a zero-tolerance policy on sexual harassment within and outside the workplace, and we treat any complaints we receive seriously and in strict confidence. We have established effective reporting channels, such as via email and corporate social messaging accounts, and will retain written evidence in relation to all complaints to be handled by our relevant departments. We will also review our decisions, should the relevant person(s) disagree with the results of our internal investigations.

Proper business practices

We have implemented internal control policies in relation to our business operations, including anti-corruption and compliance, anti-money laundering, anti-bribery, fraud, business conduct and ethics. We require our employees to complete relevant exams each quarter, and our employees have already accumulated 14,798 attendance and over 3,677 learning hours on compliance matters for the six months ended June 30, 2022.

We have established several layers of scrutiny, including establishing our internal audit department responsible for leading investigations and reporting cases to the audit committee, and our internal control department that assists the internal audit department with investigation and follow-ups on rectification and improvement measures. Our suppliers and other business partners are generally required to enter into an anti-bribery agreement with us prior to working with us. We adopt anti-money laundering policies and review and update policies and procedures, if needed, as part of our framework in managing money laundering and terrorism financing risks. We also regularly conduct internal audits on our high-risk business operations and management areas, and evaluate the effectiveness of our internal control, in order to ensure compliance with the proper and ethical business practices which we seek to uphold. In response to potential enhanced regulatory scrutiny with regard to digital communications and trading practices by brokers, our Group has promulgated and adopted internal policies, protocols and guidelines to manage the relevant regulatory and reputational risks. During the Track Record Period and up to the Latest Practicable Date, our Group had not (i) sold any of its clients’ trading data to third-parties to further front-run clients’ orders or (ii) engaged in any misleading communications

and trading practices to encourage its clients to trade. See “Risk Factors — Risks Related to Our Business and Industry — Any future change in the regulatory and legal regime for the securities brokerage and wealth management industries regions where we operate may have a significant impact on our business model. Potential enforcement actions against industry peers could lead to new rules or requirements and may subject us to higher regulatory scrutiny. If we are deemed to have been engaged in any misleading digital engagement practices or trading practices, there could be material adverse effect to our business operations, reputation and prospects.”

We also have whistleblowing policies in place and have set up various reporting channels, whilst making every effort to ensure the confidentiality of any reports in accordance with the applicable laws and regulations. Our employees responsible for handling whistleblower reports are required to sign a confidentiality agreement, and any employee who discloses any information to any reporters or investigators in contravention of the relevant laws and regulations will be dismissed.

Environmental protection

As a high-tech company, we encourage our employees to adopt sustainable practices in order to reduce our carbon footprint, including promoting energy-saving measures, encouraging online virtual office, reducing paper wastage and avoiding unnecessary travels, all of which are included in our employee handbook. We have also cooperated with a ride-hailing company to provide employees with electric vehicle ride home and thus reduce carbon emissions. We actively respond to any government requirements on waste sorting, recycling and waste reduction, in an effort to further lessen waste and environmental pollution.

LICENSES AND REGULATORY APPROVALS

Licenses, Permits and Approvals

We are required to obtain various licenses, permits and certifications for our operations. As of the Latest Practicable Date, we held 51 licenses, registrations and memberships across Hong Kong, Singapore, the U.S., Australia and Europe. Our Group had complied with the requirements and conditions of the material licenses it held in all material aspects during the Track Record Period. As of the Latest Practicable Date, we had duly obtained and maintained all material licenses, permits and certificates required by laws and regulations for our operations, and such licenses, permits and certificates have remained in full effect. As of the Latest Practicable Date, Shenzhen Futu held a Valued-added Telecommunication Business Operation License (《增值電信業務經營許可證》, the “**ICP License**”), a Radio and Television Program Production and Operation License and an Internet Culture Operation License; and Hainan Caixuetang held an Internet Culture Operation License, a Radio and Television Program Production and Operation License, an ICP License and a Publication Operation License. As confirmed by our PRC Legal Advisors, we are not required to obtain any other licenses from any regulatory authorities for our presence in the PRC.

BUSINESS

Regulated Activities in Hong Kong

As of the Latest Practicable Date, Futu International Hong Kong, one of our operating subsidiaries, was licensed under the SFO to conduct the following regulated activities:

<u>Regulated Activities by Type of License</u>	<u>Effective Date</u>
Type 1 (Dealing in Securities)	October 2012
Type 2 (Dealing in Futures Contracts)	July 2013
Type 3 (Leverage Foreign Exchange Trading)	December 2020
Type 4 (Advising on Securities)	June 2015
Type 5 (Advising on Futures Contracts)	August 2018
Type 7 (Providing Automated Trading Services)	August 2019
Type 9 (Asset Management)	July 2015

In addition to the above licenses, one of our subsidiaries in Hong Kong also holds a money lenders license issued by the licensing court under the Money Lenders Ordinance, which allows it to provide loans to its clients in its ordinary course of business. We have also been registered as a Mandatory Provident Fund Intermediary with the Mandatory Provident Fund Schemes Authority in Hong Kong. For further details, please refer to “Regulation – Overview of the Laws and Regulations Relating to Our Business and Operations in Hong Kong.”

Regulated Activities Overseas

For our overseas operations, we hold licenses, registrations and memberships in Singapore, the U.S., Australia and Europe. In particular, Moomoo Financial Singapore is a licensed corporation registered with the Monetary Authority of Singapore with the Capital Markets Services Licence (CMSL). Moomoo Financial Inc. is registered as a broker-dealer with the SEC and is a member in good standing with FINRA, authorized to conduct business as an introducing broker in compliance with the SEC and FINRA rules. Futu Clearing Inc. is also a member in good standing of FINRA and DTCC capable of providing clearing business in the U.S. For further details, please refer to the “Regulation” section of this document. Futu Australia, which holds an Australian Financial Services License, is regulated by the Australian Securities and Investments Commission.

REGULATORY DEVELOPMENT

PRC Cybersecurity and Data Protection

We have taken the following steps to ensure compliance with the relevant requirements of CAC in light of the recent development in China's cybersecurity and data protection regulatory framework.

Measures for Cybersecurity Review (《網絡安全審查辦法》, the “Revised Cybersecurity Review Measures”)

The Revised Cybersecurity Review Measures were jointly promulgated by the CAC and other twelve PRC regulatory authorities on December 28, 2021 and took effect on February 15, 2022. The Revised Cybersecurity Review Measures provide that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators (the “**CIIOs**”) and the network platform operators (the “**Network Platform Operators**”) which engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

Our PRC Legal Advisors are of the view that the proposed Listing in Hong Kong and our current business operations do not fall within the scope in which it is required to apply for such cybersecurity review as required by the Revised Cybersecurity Review Measures. The reasons are as follows:

- (i) the term “listing abroad (國外上市)” under the Revised Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review;
- (ii) according to the Security Protection Regulations for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), the protection authorities are responsible for identifying CIIOs in various industry sectors and timely notify the CIIOs concerned of such identification results. As of the Latest Practicable Date, the Company had not been notified by any protection authority of it being recognized as a CIIO;

- (iii) the Company is a Network Platform Operator under the Revised Cybersecurity Review Measures. According to the assessment of the PRC Legal Advisors on the internet security, data security and protection of personal information as of the Latest Practicable Date, it has not found that we had any national security risk clearly set forth under Article 10 of the Revised Cybersecurity Review Measures. In addition, except the security risks listed in the Article 10 of the Revised Cybersecurity Review Measures, no PRC laws and regulations provide further clarification or guidance on the criteria for determining “other factors that may endanger the security of critical information infrastructure, network security or data security” or “affect or may affect national security”. Therefore, taking into account that the Group has adopted internal measures to ensure compliance and will continually and closely monitor the legislative process and seek guidance from relevant regulatory authorities in a timely manner to ensure its compliance, as of the date of this document, our PRC Legal Advisors are of the view that the Revised Cybersecurity Review Measures will not materially adversely affect the Group; and
- (iv) the Company also confirmed that, based on the due diligence conducted by its PRC Legal Advisors, as of the Latest Practicable Date, it had not received any notification from the Cybersecurity Review Office of CAC or other authorities requiring the Company to apply for cybersecurity review. In addition, the Company has not been subject to any punishment or any interview, investigation, legal proceedings or other regulatory measures taken by the Cybersecurity Review Office of CAC or relevant regulatory authorities for its failure to apply for cybersecurity review.

The consultation papers for Network Data Security Management Regulation (《網絡數據安全管理條例(徵求意見稿)》) published on November 14, 2021 (the “Draft Regulation”)

According to the Draft Regulation, a data processor must apply to CAC for cybersecurity review if its proposed listing in Hong Kong affects or may affect national security.

Notwithstanding the above, as advised by our PRC Legal Advisors, the Draft Regulation is in draft form for public consultation purpose and had not been formally adopted as effective laws as of the Latest Practicable Date. It remains unclear when and to what extent the Draft Regulation will take effect in its current draft form. Certain key legal concepts in the Draft Regulation, such as “affect or may affect national security”, remains unclear.

That said, our PRC Legal Advisors are of the view that, assuming the Draft Regulation is implemented in its current form, our PRC Legal Advisors do not reasonably expect any substantive difficulties for the Group to be in compliance with the Draft Regulation in all material aspects, nor do they reasonably expect that the Draft Regulation would cause any material adverse impact on the Company’s operation or its proposed Listing.

As of the Latest Practicable Date, we had not received any request for cybersecurity review or relevant inquiries from CAC in connection with its proposed Listing.

Other applicable PRC data security and cybersecurity laws and regulations

We, through one of our operating entities in Mainland China Shenzhen Futu, primarily provide two types of services in the PRC through *Futubull* platform, namely (i) providing users with market data and other Internet information services; and (ii) having the links embedded, which enable to redirect users to the brokerage services provided by another wholly-owned subsidiary of the Company, Futu International Hong Kong, which is a licensed corporation under the SFO. As part of the account opening process, clients' personal information relating to opening account for online trading activities is directly collected, processed, used and stored in the server(s) engaged by Futu International Hong Kong, and outside Mainland China. Shenzhen Futu does not approve any account opening procedure, nor process any securities transaction information. As of the date of this document such services are not in violation of the applicable data security and cybersecurity PRC laws and regulations in any material respect according to our PRC Legal Advisors.

Article 38 of the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the “**PIPL**”) applies to operators within Mainland China that provide personal information to any foreign entity. Based on the above and taking into consideration the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the “**Data Export Measures**”), which were issued recently, and considering the uncertainties regarding how they would be interpreted and enforced which remain unclear, our PRC Legal Advisors have advised us that the direct collection of personal information of its PRC-based users and clients by Futu International Hong Kong outside Mainland China does not fall within the scope of “cross-border provision of personal information by operators within Mainland China to foreign entities” as expressly prescribed in Article 38 of the PIPL as of the date of this document, as (i) Futu International Hong Kong is not a “domestic personal information handler” regulated under Article 38 of the PIPL, (ii) there is no transfer (or “export”) of personal data of users and clients by Shenzhen Futu out of the PRC, and (iii) there is no cross-border provision of important data and personal information that was collected or produced in the course of operations within the territory of Mainland China, and therefore is not in violation of any applicable PRC laws in this regard. The Joint Sponsors' PRC legal advisor concurred with the aforementioned opinion of the Company's PRC Legal Advisors.

The Data Export Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China. Since the Personal Information Protection Law and the Data Export Measures are new, there are uncertainties as to the interpretation and application of it, especially in relation to its applicability and requirements for our offshore subsidiaries when they engage in personal information processing activities for natural persons within China, including the information collection activities conducted by our offshore subsidiaries outside the Mainland China. As of the date of this document, the exact scope and the calculation method of “important data” under the current regulatory regime remains unclear, and the PRC government authorities may have discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether we would be required to report any security assessment for cross-border data transfers to the CAC, and there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisors. While we do not believe the pre-approval requirements for any cross-border data transfer will apply to the way Futu International Hong Kong currently collects information from persons within China, in the event we need to transfer certain data from our PRC entities to our offshore subsidiaries or if regulatory bodies deem our current data collection model as a cross-border data transfer, we will be subject to the relevant requirements. Furthermore, we may need to take certain additional measures in the future to be in compliance with the Personal Information Protection Law. Notwithstanding the foregoing uncertainties, if we are required to report security assessments for cross-border data transfers, to the reasonable knowledge of our PRC Legal Advisors, as of the Latest Practicable Date, they are of the view that they do not foresee any material legal impediments for us to comply with Data Export Measures in all material respects.

During the Track Record Period and up to the Latest Practicable Date, we had established comprehensive security system, *Futu Monolith Safety Protection System* (“**FMSPS**”), which has been awarded the ISO27001 Information Management System Certification, to provide protection of information related to our users and clients, their accounts and transactions with the support of our network situational awareness and risk management system. We have a data security team of engineers and technicians dedicated to protecting the security of our data, and have established stringent internal protocols in this regard. For details of our data security measures, see “— Data Security and Privacy.”

Based on the legal due diligence conducted by our PRC Legal Advisors, our PRC Legal Advisors are of the view that the Group has adopted necessary measures with respect to the data security and cybersecurity according to the applicable PRC laws and regulations, and they are not aware of any material non-compliance by the Group of the data security, cybersecurity or personal information protection under the current PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, (i) there had not been any material leakage of data or personal information by our Group; and (ii) we had not been involved in any material investigation, inquiry, penalty or other legal proceedings initiated by the applicable governmental or regulatory authorities in the PRC in relation to our compliance with the applicable data security and cybersecurity laws and regulations in the PRC. Further, as advised by our PRC Legal Advisors, they do not currently expect that the applicable PRC laws on data security and cybersecurity would have a material adverse impact on our business operations, financial results and financial position.

LEGAL PROCEEDINGS AND COMPLIANCE

Save as disclosed in this subsection, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, save as disclosed in “— Properties”, we had complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Ongoing Regulatory Actions

We are subject to various regulatory requirements, including those specified in laws, regulations and guidelines issued by the competent regulatory authorities in Hong Kong, US, Singapore and Australia, including but not limited to the SFC, MAS, SEC, FINRA and the ASIC.

Futu International Hong Kong is a licensed corporation under the SFO and may be subject to SFC inquiries and investigations from time to time. As of the Latest Practicable Date, Futu International Hong Kong was involved in certain ongoing inquiries initiated by the SFC concerning matters including, among others, client onboarding processes, risk management, client assets, cybersecurity, anti-money laundering, counter-financing terrorism and operation of mobile application. In addition, Futu International Hong Kong was involved in an ongoing investigation concerning matters, including, among others, online account opening procedures and product due diligence. The SFC’s inquiries and investigation remain ongoing and are subject to statutory secrecy under Section 378 of the SFO. Therefore, no additional details about them can be disclosed in this document unless otherwise consented by the SFC.

As the foregoing inquiries and investigation from the SFC remain ongoing, it is not possible for us to accurately predict if any disciplinary action will be taken against Futu International Hong Kong after the conclusion of the inquiries and investigation, if so, the nature and extent of any such action. If, after the SFC's inquiries and investigation have been concluded, the SFC identifies misconduct or material non-compliance, the SFC can take various regulatory actions, which may include, among other things, reprimands, fines and/or suspension or revocation of licenses and trading rights and, if imposed, might materially and adversely affect our reputation, business, prospects and financial conditions. See "Risk Factors — Risks related to Our Business and Industry — We are subject to extensive and evolving regulatory requirements in the markets we operate in, non-compliance with which may result in penalties, limitations and prohibitions on our future business activities or suspension or revocation of our licenses and trading rights, and consequently may materially and adversely affect our business, financial condition, operations and prospects. In addition, we are involved in ongoing inquiries and investigation by relevant regulators."

Regulated Activities

Pursuant to Articles 118 and 120 of the Securities Law of the PRC, "securities business" includes securities brokerage business, securities investment, investment consulting business and other businesses approved by the securities regulatory authorities under the State Council. Shenzhen Futu, one of our operating entities in Mainland China, having the link embedded in *Futubull* platform to redirect users to the brokerage services provided by Futu International Hong Kong, the Company's wholly-owned subsidiary in Hong Kong and a licensed corporation under the SFO. As advised by our PRC Legal Advisors, as of the date of this document such services provided by Shenzhen Futu in Mainland China do not fall within the definition of "securities business" under the Securities Law.

During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any other administrative penalty or investigation by CSRC or other relevant authorities in the PRC concerning our regulatory compliance with the Securities Law of the PRC that could, individually or in the aggregate, have a material adverse effect on the Group's business operations, financial results and financial position.

As advised by our PRC Legal Advisors, Futu International Hong Kong is regarded as an "overseas securities business entity" under Article 95 of the Regulations on Supervision and Administration of Securities Firms (《證券公司監督管理條例》). The operation of *Futubull* platform by Shenzhen Futu and the provision of securities services by Futu International Hong Kong do not constitute the provision of securities business in Mainland China. Our Group's securities brokerage business is conducted outside Mainland China through its entities and employees licensed with the relevant regulators, such as the SFC in Hong Kong, and not through its operating subsidiaries in Mainland China. Therefore, our PRC legal advisors are of the view that, as of the date of this document, the operation of *Futubull* platform by Shenzhen Futu and the provision of securities services by Futu International Hong Kong do not violate

the Securities Law, the Regulations on Supervision and Administration of Securities Firms and the Administrative Measures on Representative Offices of Foreign Securities Institutions Stationed in China (《外國證券類機構駐華代表機構管理辦法》).

However, our PRC Legal Advisors also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations over the applicable PRC laws and regulations, including but not limited to, Securities Law of the PRC and the Regulations on Supervision and Administration of Securities Firms (《證券公司監督管理條例》) and Administrative Measures on Representative Offices of Foreign Securities Institutions Stationed in China (《外國證券類機構駐華代表機構管理辦法》). Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisors.

Currency Conversion

Pursuant to the applicable laws and regulations in the PRC (including but not limited to the PRC Foreign Exchange Administration Regulation (《中華人民共和國外匯管理條例》)), any institution, unit or individual may not engage in foreign exchange business without the approval of the PRC foreign exchange control authority or other financial regulatory authority. We are not licensed under applicable PRC laws and regulations to provide, and we do not provide, any currency conversion or remittance of funds out of Mainland China services to our PRC-based clients.

The PRC-based clients may only use their PRC bank accounts for identification purpose during the account opening processes through the e-certification procedure through a mutually recognized certification authority (“**E-Certification Procedure**”) as allowed by the SFC Circular on Acceptable Account Opening Approaches published in June 2019 (the “**2019 SFC Circular**”). Furthermore, the PRC-based clients cannot use their PRC bank accounts for their initial payments or ongoing fund movements via our platform. For fund transfer (such as when the PRC-based clients conduct trades on our platform), we do not allow the PRC-based clients to use their PRC bank accounts for fund transfer via our platform and our platform only accepts remittance of funds through either a Hong Kong bank account or an overseas bank account for either initial payments or ongoing fund movements. We require our clients to complete registration of their bank accounts for fund transfer purposes on our platform and we do not accept PRC bank accounts for such purposes. Our guidelines and policy are also clearly stated to users who would like to open a trading account on *Futubull*. As advised by our PRC Legal Advisors, the current applicable PRC laws and regulations also do not require our clients to submit or us to request and review evidence of approval or registration from relevant authorities with respect to the foreign currency used for investments. For details of our processes of account opening and fund transfer for our clients, see “— Our Services — Retail Services — Account Opening and Fund Transfer.”

In addition, we conduct regular employee training sessions to emphasize the compliance with foreign exchange control regulations, including but not limited to the prohibition on facilitating any form of currency conversion. To ensure compliance with the applicable regulatory guidelines and the Group's internal policies, we have required our employees to comply with the relevant laws and regulations in respect of offshore investment transactions by PRC residents and prohibits employees from facilitating in any form currency conversion and remittance by PRC-based clients in violation of applicable laws and regulations. In addition, we have established anti-money laundering policies covering client identification, fund transfer and transaction execution in compliance with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong. We have also posted the PRC foreign exchange laws and regulations including the PRC Foreign Exchange Administration Regulation (《中華人民共和國外匯管理條例》) and the Implementation of the Administrative Measures for Personal Foreign Exchange (《個人外匯管理辦法實施細則》) on both our website and mobile app for our clients' information. We also maintain a regular compliance review over the communication between employees and clients, and will take disciplinary action against any non-compliance noted during the review. We will also conduct review and take similar measures when receiving report from employees on irregularity identified or suspected in this respect.

To strengthen our internal control, we have established and set up our internal control requirements, which may have stricter obligations or higher standards than the applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had identified several incidents of staff's misconducts in relation to noncompliance with our internal requirements on fund transfer and remittance. Such misconducts mainly concerned the staff's inappropriate responses to clients' queries on fund transfers by sharing their knowledge of the procedures and requirements regarding the PRC banks' currency conversion and remittance policy, and such responses were not in strict compliance with our internal policies. These misconducts were identified by us during our regular compliance review over the communications between our employees and clients. As advised by our PRC Legal Advisors, such misconducts were not compliant with our internal policies and requirements, and none of them could be seen as a violation of currently applicable PRC laws and regulations by our Group. Our PRC Legal Advisors are of the view that such misconducts will not result in any penalty or enforcement actions against our Group by relevant regulatory authorities.

We have adopted an internal appraisal system where employees' work performance is ranked by scores. We would take disciplinary actions against the personnel violating our internal policies and deduct the relevant personnel's performance scores based on the seriousness of the misconduct and our internal appraisal policy.

BUSINESS

In addition, we have taken a comprehensive range of internal control measures to prevent and avoid any potential violations and misconducts, including:

- (i) discussing between the relevant staff and his/her team leader and/or department manager with respect to the details of the identified violations and/or misconducts and the consequences. Case studies would also be provided to other employees;
- (ii) providing regular compliance trainings to our employees to emphasize the compliance with foreign exchange control regulations, including but not limited to the prohibition on facilitating any form of currency conversion;
- (iii) actively conducting review on our staff's performance. Each customer service staff is required to sign a compliance undertaking, which highlights the key requirements on their service standards and acknowledgement to adhere to our internal policies and compliance manuals from time to time; and
- (iv) maintaining regular compliance review over the communications between our employees (such as the customer service staff) and our clients, including ad hoc review of the records on the online service platform and/or telephone recordings to monitor the staff's responses given to PRC-based clients.

Our Directors are of the view that the above-mentioned comprehensive range of internal control measures have been adequate and effective in preventing and avoiding potential violations and misconducts, as since May 2022 and up to the Latest Practicable Date, we had not identified any staff misconduct in relation to our internal requirements on account opening and fund transfer and remittance. During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any administrative penalty or investigation by SAFE or other relevant authorities in the PRC concerning our compliance with the relevant PRC laws and regulations on currency conversion or remittance of funds out of Mainland China that could, individually or in the aggregate, have a material adverse effect on the Group's business operations, financial results and financial position.

Cross-border Data Transfer

Certain of our operations may involve cross-border data transfer as our overseas operating subsidiaries Moomoo Financial Inc., Moomoo Financial Singapore and Futu Securities Australia have outsourced their customer services to PRC service providers. As of the Latest Practicable Date, such arrangements had not been restricted by the relevant regulatory authorities in the jurisdictions that such overseas operating subsidiaries operate in. See “— Regulatory Development — PRC Cybersecurity and Data Protection — Other Applicable PRC Data Security and Cybersecurity Laws and Regulations” for discussion of the direct collection of personal information of PRC-based users and clients by Futu International Hong Kong outside Mainland China.

BUSINESS

AWARDS AND RECOGNITIONS

Since our inception, we received recognition for the quality and popularity of our offerings and services. Some of the significant awards and recognition we have received are set forth below.

<u>Awarding entity</u>	<u>Award/Recognition</u>	<u>Award year</u>
Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau, Shenzhen Tax Service, State Taxation Administration	Certificate of High-tech Enterprise	2019, 2020
Torch High Technology Industry Development Center, Ministry of Science & Technology	Technologically advanced enterprise	2020
Hong Kong Stock Exchange	Top Breakthrough Exchange Participant – Leverage and Inverse (L&I) Product Turnover	2020
	Top 3 Active Exchange Participants in Stock Options	2020
Hurun Report	2020 China New Finance Top 100	2020
The Asset	The Asset Triple A Digital Awards 2019, Digital Brokerage of the Year	2019
	Triple A Digital Awards 2020, Best Digital Collaboration	2020
Hong Kong Stock Exchange	HKEX Awards 2021	2021

INSURANCE

We provide social security insurance including medical insurance, maternity insurance, workplace injury insurance, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan for our PRC-based employees. We also offer additional life and medical insurance to our PRC-based employees through commercial providers. We contribute to Mandatory Provident Fund and provide labor insurance and medical insurance for our Hong Kong-based employees. In accordance with the Securities and Futures (Insurance) Rules of Hong Kong (Chapter 571AI of the laws of Hong Kong), we have purchased and maintained insurance for any loss incurred by us due to any loss to our clients' assets in our custody that are caused by fraudulent conduct of our employees, robbery, theft or other misconduct. In addition, our Singapore and U.S. subsidiaries provide health insurances to our Singapore and U.S.-based employees, respectively. We do not maintain business interruption insurance or key-man insurance, and we only maintain limited general property insurance. We believe that our insurance coverage is adequate to cover our key assets, facilities and liabilities.

BUSINESS

Moomoo Financial Singapore contributes to the Central Provident Fund (CPF), a compulsory comprehensive savings and pension plan for working Singaporeans and permanent residents. Besides CPF, we provide medical insurance and work-injury compensation insurance for all our Singapore-based employees. We also acquired public liability insurance that covers our Singapore offices.

If we incur any uninsured loss, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. See “Risk Factors — Risks Related to Our Business and Industry — We have limited business insurance coverage.”

PROPERTIES

Our corporate headquarters are located at in Hong Kong, China. As of the Latest Practicable Date, we leased 28 properties in China, Hong Kong, the U.S., Singapore and Australia, with an aggregate gross floor area of approximately 36,000 square meters. Our leased properties are primarily used for corporate offices, data centers and other facilities. The relevant lease agreements have a term of one to five years. As of the Latest Practicable Date, we owned one property in California, the U.S. for corporate office purpose.

As of the Latest Practicable Date, eight of our lease agreements for our properties in the PRC had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations, due to the relevant landlords not having completed the relevant property leasing and registrations. As advised by our PRC Legal Advisor, such non-compliance does not affect the validity of the relevant property lease agreement, and will not have a material adverse effect on the Listing, but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance within the time frame prescribed by the relevant authorities. Nonetheless, if we are required to relocate our leased office premises, such relocation will not be considerably burdensome and difficult, as we do not have any immovable equipment nor specific office space requirements. As such, we would only expect to incur minor relocation service costs, without having to incur a significant increase in rental rates given the abundance of office premises that would be suitable for our business operations.