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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks of investing in our Shares are set out in “Risk factors”. You should read the entire document carefully before you decide to invest in our Shares.

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.

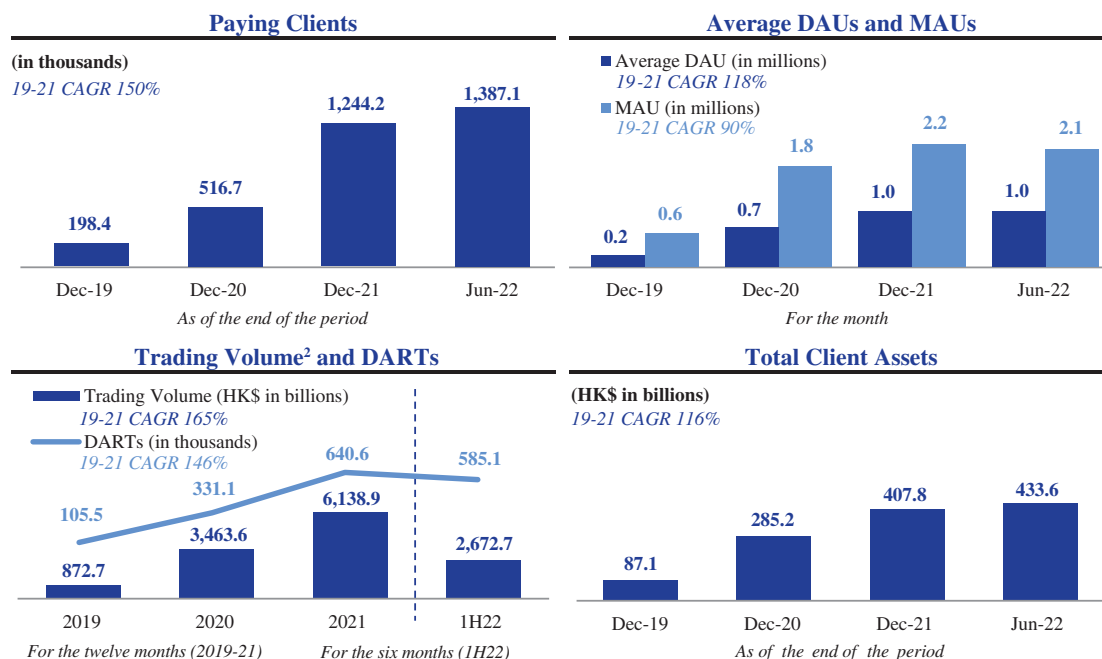
A securities brokerage service provider at inception, we are now an all-rounded online financial services platform, seamlessly integrating services and products including trading, wealth management product distribution, market data and information, user community, investor education, and corporate services 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 primarily attract the emerging affluent and tech-savvy generation of investors, 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. 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. 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.

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 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 market from one 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 two-factor authentication, to protect our clients’ personal information and trading data.
- ***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.
- ***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. We have also developed AI-based customer service function leveraging our big data analytic and natural language processing capabilities.

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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:



Notes:

- 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.
- The trading volume presented is the aggregate volume of trading through our platform in securities listed on multiple stock exchanges globally.

KEY OPERATING DATA

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.

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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
	(HK\$ in millions)			
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.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success:

- **Market leading brand.** We are a market leader in Hong Kong and a go-to brand for retail securities trading, and have achieved consistently high growth.
- **Premier investing experience.** We make investing easier by crafting a premier user experience through technology capabilities, redefining industry best practices.
- **High-quality customer base.** Our platform has attracted a vast base of high-quality customers who are young, active, loyal and with potential to generate wealth.
- **Flywheel effects of corporate and retail services.** The high quality of our services offered to enterprises and individuals resulted in flywheel effects and enabled us to achieve efficient and effective customer acquisition.
- **Vibrant user community.** We make investing not alone through *NiuNiu/Moo Community*, a vibrant online community with social media tools for our users to interact, share, learn and grow.

GROWTH STRATEGIES

Our vision is to become an influential global financial services platform, which we will continue to pursue through the following key strategies:

- **Grow our user and client base.** We strive to continuously grow our user and client base by word-of-mouth referral and precision marketing.
- **Enhance our ecosystem.** We will further enhance our synergistic ecosystem, through constantly broadening our product portfolio, adding new features and enriching the content in our *NiuNiu/Moo Community* as well as investing in our enterprise business.
- **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.
- **Expand in various markets.** We aim to expand our presence and improve our product offering capabilities in various markets, to capture global opportunities and nurture a global client base.

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MARKET OPPORTUNITY

- *Increasing retail investor participation and online penetration*
- *Growing demand for diversified investment products*
- *Social community driving user engagement*

OUR PLATFORM AND SERVICES

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

Futubull is our primary platform, which is mainly available to users based in Hong Kong and Mainland China. We also launched *moomoo* in the U.S., Singapore and Australia as part of our international expansion. Our users and clients can access to all of our products and services seamlessly from a single profile on our platform, including: (i) trade execution for securities across major exchanges in Hong Kong, Singapore, the U.S. and Australia; (ii) margin financing and securities lending; (iii) wealth management product distribution including fund and bond investments; (iv) market data and information; and (v) user community. We also offer corporate services to enterprises, including: (i) IPO distribution; (ii) investor relations and marketing; (iii) ESOP solution services and (iv) trust services.

COMPETITIVE LANDSCAPE

The markets for online securities brokerage and wealth management product distribution services are emerging and rapidly evolving. We primarily compete with other online securities brokers and traditional brokers. Traditional brokers include brokers with offline channels, and brokerage business units within commercial banks. Compared to traditional brokers, online securities brokers are able to deliver more accessible and more stable digitalized services and comprehensive products supported by their technology capabilities and robust infrastructure. Online securities brokers establish large and vibrant user base through their comprehensive marketing tools and therefore gain great business potential for international expansion. Compared to online brokers, traditional brokers have competitive strengths in providing advanced products and services with a focus on institutional investors on the back of wide offline client reach and long operating history. See “Industry Overview” for more details of the competitive landscape of the industry in which we operate.

After ten years of rapid growth, we are now a market leader in Hong Kong in the retail securities brokerage industry. According to CIC, as of December 31, 2021:

- We are the largest securities broker in terms of retail securities trading volume on the Hong Kong Stock Exchange;
- *Futubull* repeatedly ranked the first in the finance category of Hong Kong iOS and Android App Stores, and *moomoo* ranked the first in the finance category and free download category of Singapore’s iOS and Android App Store within only two months after launch.

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RISK FACTORS

Our operations and the Listing involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See the section headed “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- 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;
- Our online client onboarding 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, and consequently may adversely affect our business, financial condition, operations, brand reputation and prospects;
- We do not hold any license or permit for providing securities brokerage business in Mainland China. Although we do not believe we engage in securities brokerage business in Mainland China, there remain uncertainties as to the interpretation and implementation of relevant PRC laws and regulations or if any new PRC laws and regulations will be enacted to impose licensing requirements on us with respect to our activities in Mainland China and/or our provision of services to our PRC-based clients. If some of our activities in Mainland China were deemed by relevant regulators as provision of securities business such as securities brokerage services, investment consulting services, futures business and/or any other regulated services and business activities in Mainland China, our business, financial condition, results of operations and prospects may be materially and adversely affected;
- Our operations and services involve collection, processing, and storage of significant amounts of data concerning our clients, business partners and employees and may be subject to complex and evolving laws and regulations regarding privacy and data protection and cybersecurity. If we fail to comply with the relevant laws and regulations, our business, results of operations and financial condition may be adversely affected;
- We depend on contractual arrangements with our VIEs and their shareholders to operate a part of our business in China and to hold the necessary licenses for our operations, which may not be as effective as direct ownership in providing operational control and otherwise may have a material adverse effect as to our business; and
- The ADSs could be delisted from the Nasdaq Global Market and prohibited from trading “over the counter” if the Public Company Accounting Oversight Board is unable to inspect auditors located in China. The delisting of the ADSs from the Nasdaq Global Market and inability to trade, or the threat thereof, may materially and adversely affect the value of your investment.

THE HFCAA

On April 21, 2022, the SEC conclusively listed Futu Holdings Limited as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. In accordance with the HFCAA, our securities will be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if the PCAOB is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in China for three consecutive years, or for two consecutive years if proposed changes to the law are enacted. As a result, the Nasdaq may decide to delist our securities. On August 26, 2022, the PCAOB signed a Statement of

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Protocol with the China Securities Regulatory Commission and the Ministry of Finance of China, the Chinese authorities governing inspections and investigations of audit firms based in China, which marks taking the first step toward providing opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong in 2022. The PCAOB vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. For this reason, we do not expect to be identified as a Commission-Identified Issuer following the filing of our annual report for the fiscal year ending December 31, 2022. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control. The PCAOB is continuing to demand complete access in mainland China and Hong Kong moving forward and is already making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. If our shares and the ADSs are prohibited from trading in the United States in the future, such a prohibition would substantially impair the ability of our investors to sell or purchase the ADSs when they wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our Class A Ordinary Shares or the ADSs. For more details, see "Risk Factors — Risks Related to Our Presence in China — The ADSs could be delisted from the Nasdaq Global Market and prohibited from trading "over the counter" if the Public Company Accounting Oversight Board is unable to inspect auditors located in China. The delisting of the ADSs from the Nasdaq Global Market and inability to trade, or the threat thereof, may materially and adversely affect the value of your investment." Our Directors are of the view that the HFCAA and the potential prohibition of trading in the United States do not have any material adverse impact on our business operations, financial performance, or the Listing, as our securities will continue to be traded on the Hong Kong Stock Exchange even if the prohibition of trading were to take place.

WEIGHTED VOTING RIGHTS AND OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company adopted a weighted voting rights structure, under which our share capital comprises Class A Ordinary Shares (which entitles the holders to exercise one vote) and Class B Ordinary Shares (which entitles the holders to exercise 20 votes). On November 21, 2022, pursuant to our existing Articles of Association, Mr. Li, being the WVR Beneficiary, has delivered an irrevocable written consent to the Company, among other things, to consent to the modification of voting rights attached to each Class B Ordinary Share from 20 votes to ten votes pursuant to Rule 8A.10 of the Listing Rules, effective upon the Listing. Accordingly, each Class B Ordinary Share shall entitle its holder to exercise ten votes, on all matters that require a Shareholder's vote, subject to Rule 8A.24 of the Listing Rules that requires a limited number of Reserved Matters to be voted on a one vote per share basis (save for the specified exception for the compliance of Rule 8A.24 of the Listing Rules). Our Company will put forth resolutions to amend the Articles of Association at the next general meeting following the Listing (the "**First GM**"), which we have undertaken to convene on or before June 30, 2023. For further details, please see "Waivers — Requirements relating to the Articles of Association of the Company."

Immediately upon completion of the Introduction, the WVR Beneficiary will be Mr. Li, our founder, chairman of the Board, executive Director and chief executive officer. Assuming (i) no further Shares are issued under the Share Incentive Plans between the Latest Practicable Date and the Listing Date; and (ii) all Class B Ordinary Shares beneficially owned by Tencent Group through Qiantang River Investment Limited are converted to Class A Ordinary Shares upon the completion of the Introduction, Mr. Li will beneficially own and will control, through entities affiliated with him (i.e. Lera Ultimate Limited and Lera Infinity Limited), an aggregate of 239,750,000 Class B Ordinary Shares, representing (a) approximately 21.52% of our issued and outstanding Shares; (b) approximately 73.28% of the effective voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters; and (c) approximately 21.52% with respect to shareholder resolutions relating to the Reserved Matters upon completion of the Introduction.

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Mr. Li holds his interests in our Company through Lera Ultimate Limited and Lera Infinity Limited, which are ultimately owned by Lera Direction Plus Trust and Lera Target Trust, respectively. Each of Lera Direction Plus Trust and Lera Target Trust is a trust established by Mr. Li (as the settlor) for the benefit of his family and himself. Therefore, Mr. Li, Lera Ultimate Limited and Lera Infinity Limited together will constitute the Controlling Shareholders of our Company after the Listing. Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules. For further details about our Controlling Shareholders, please refer to the section headed “Relationship with our Controlling Shareholders.”

The Company’s WVR structure enables the WVR Beneficiary to exercise voting control over the Company notwithstanding that the WVR Beneficiary does not hold a majority of economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

Mr. Li is the founder, chairman of the Board, executive Director and chief executive officer of our Company. He has been the forefront of our Group’s growth and innovation since its inception, providing the core vision and philosophy and participating in all of the key management decisions that has led to the continued success and development of our Group. In particular, Mr. Li has led the technology committee of our Company to formulate technology development strategies, optimize the existing technology infrastructure and implement large-scale technology projects of our Group. For Mr. Li’s biographical details, please refer to “Directors and Senior Management” of this document.

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders’ resolutions. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure, see “Risk Factors — Risks related to our Class A Ordinary Shares and ADSs.”

As we are seeking a dual primary listing as an issuer with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Listing Rules, including Rule 8A.44 of the Listing Rules, which requires our WVR Structure to give force to the requirements of certain rules under Chapter 8A of the Listing Rules by incorporating them into our Articles; and (b) the articles requirements set out in Appendix 3 to the Listing Rules. Our Articles do not currently comply with some of the Listing Rules Articles Requirements (the “**Unmet Listing Rules Articles Requirements**”), and we undertake to put forth resolutions to amend our Articles to comply with these requirements at the First GM.

Furthermore, we undertake to, at the First GM, seek shareholders’ approval to amend our Articles to incorporate the Termination of Tencent’s Special Rights, the Quorum Requirement, the GM Postponement Requirement, the Amendment of Directors’ Class Right Related Powers and the Forum Selection Clarification into the Articles. Details of these proposed amendments are set out in the section headed “Waivers — Requirements relating to the Articles of Association of the Company.”

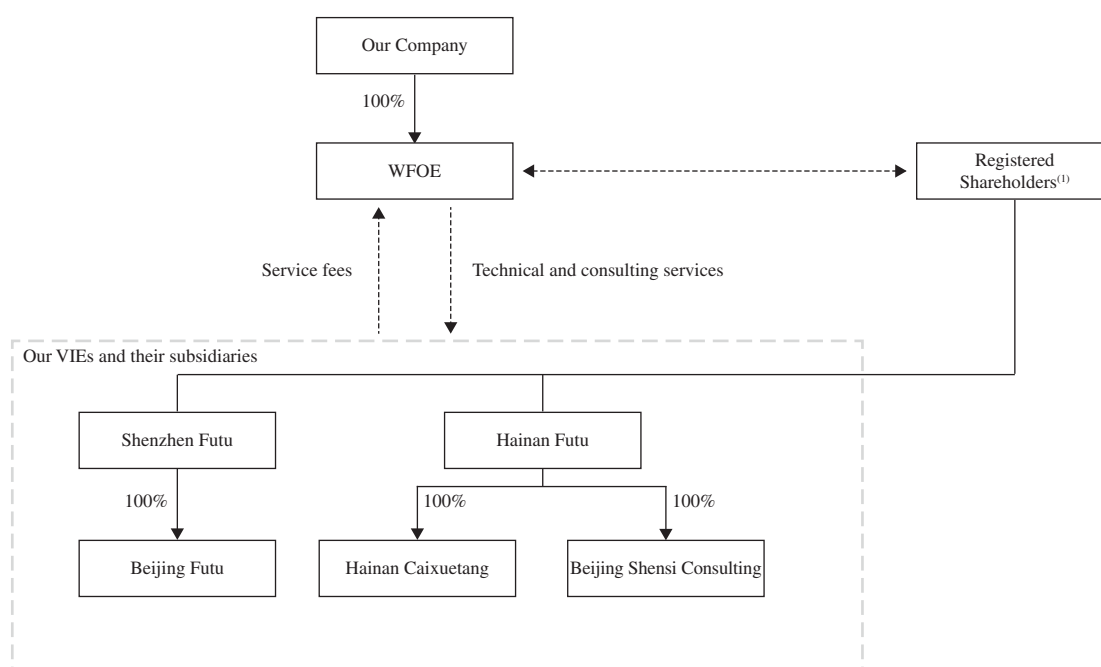
In addition, save for certain specified exceptions, we undertake to fully comply with the Unmet Listing Rules Articles Requirements, the Termination of Tencent’s Special Rights, the Quorum Requirement, the GM Postponement Requirement, the Amendment of Directors’ Class Right Related Powers and the Forum Selection Clarification before our Articles are formally amended such that immediately upon the Listing, we will be subject to, and will fully comply with, such requirements as if they have already been incorporated into our existing Articles upon the Listing. For further details, please see “Waivers — Requirements relating to the Articles of Association of the Company” and “Share Capital — Weighted Voting Rights Structure.”

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CONTRACTUAL ARRANGEMENTS

Our Consolidated Affiliated Entities are currently our VIEs and their respective subsidiaries, which were all established under the PRC laws. Foreign investment in certain areas of the industries in which Shenzhen Futu and Hainan Caixuetang currently operate are subject to restrictions under the PRC laws and regulations. After consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in the PRC for industries subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by, our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOE, on the one hand, and our Consolidated Affiliated Entities and the Registered Shareholders, on the other hand. For further details, please see the section headed “Contractual Arrangements” in this document.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to WFOE and our Company under the Contractual Arrangements:



Notes:

- (1) Each of Shenzhen Futu and Hainan Futu is held as to 85% by Mr. Li and as to 15% by Ms. Lei Li (Mr. Li's spouse).
- (2) “———>” denotes direct legal and beneficial ownership in equity interest.
- (3) “----->” denotes contractual relationship.
- (4) “-----” denotes the control by the WFOE over our Consolidated Affiliated Entities through (i) the powers of attorney to exercise all shareholders' rights of the Registered Shareholders in our VIEs; (ii) exclusive options to acquire all or part of the equity interest in our VIEs; and (iii) equity pledges by the Registered Shareholders in favour of the WFOE over the equity interests in our VIEs.
- (5) 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.
- (6) Beijing Futu, Hainan Futu and Beijing Shensi Consulting have not yet commenced substantive business operations and are not expected to have commenced any substantive business operations by the time of the Listing, and will only carry out businesses which are subject to foreign investment restrictions under the applicable PRC laws and regulations in the future.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant's Report set out in Appendix IA. The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this document, including the related notes, as well as the section headed "Financial Information — Reconciliation Between U.S. GAAP and IFRS."

Selected items from the Consolidated Statements of Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income for the periods indicated:

	For the Year ended December 31,						For the Six Months ended June 30,				
	2019		2020		2021		2021		2022		
	Amount	% of	Amount	% of	Amount	% of	Amount	% of	Amount	US\$	% of
	HK\$	total	HK\$	total	HK\$	total	HK\$	total	HK\$		total
		revenue		revenue		revenue		revenue			revenue
<i>(in thousands except for percentages)</i>											
<i>(unaudited)</i>											
Revenues	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
Costs	(281,704)	(26.6)	(695,954)	(21.0)	(1,206,064)	(16.9)	(721,993)	(19.1)	(435,847)	(55,543)	(12.9)
Gross profit	779,851	73.4	2,614,868	79.0	5,909,256	83.1	3,059,468	80.9	2,951,881	376,169	87.1
Research and development expenses	(262,345)	(24.7)	(513,283)	(15.5)	(805,325)	(11.3)	(310,787)	(8.2)	(574,174)	(73,169)	(16.9)
Selling and marketing expenses	(164,701)	(15.5)	(385,320)	(11.6)	(1,392,070)	(19.6)	(652,036)	(17.3)	(507,235)	(64,639)	(15.0)
General and administrative expenses	(164,850)	(15.5)	(248,404)	(7.5)	(529,048)	(7.4)	(174,365)	(4.6)	(388,532)	(49,512)	(11.5)
Operating expenses	(591,896)	(55.7)	(1,147,007)	(34.6)	(2,726,443)	(38.3)	(1,137,188)	(30.1)	(1,469,941)	(187,320)	(43.4)
Income before income tax expenses and share of loss from equity method investment	178,493	16.8	1,450,623	43.8	3,185,291	44.8	1,902,687	50.3	1,366,121	174,090	40.3
Net income	165,664	15.5	1,325,523	40.0	2,810,210	39.5	1,696,190	44.9	1,213,525	154,644	35.8

Our revenue increased from HK\$1,061.6 million in 2019 to HK\$7,115.3 million in 2021, representing a CAGR of 158.9% from 2019 to 2021. The rapid growth in revenue from 2019 to 2021 was driven by the increase in the number of paying clients from 198.4 thousand as of December 31, 2019 to 1.2 million as of December 31, 2021. However, our revenue amounted to HK\$3,387.7 million (US\$431.7 million) for the six months ended June 30, 2022, which represented a 10.4% decrease from HK\$3,781.5 million for the same period in 2021. The decrease was primarily due to (i) decrease in our brokerage commission and handling charge income, which was mainly because trading volume declined compared to the same period in 2021 when market peaked, partially offset by an increase in the blended commission rate as applied based on the trading volume, (ii) decrease in the underlying interest rates that we charged for securities lending, and (iii) decrease in interest income derived from IPO financing which was mainly attributable to decrease in the overall number of IPO transactions in the capital market in the six months ended June 30, 2022. In the first half of 2021 when trading activities were more active, there was higher volume of margin financing and securities

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lending, resulting in higher interest income derived therefrom. Given interest income from margin financing accounts for the majority of our total interest income, the fluctuations of interest income during the Track Record Period were mainly attributable to the scale of our margin financing business and overall number of IPO transactions during the relevant period. Our gross profit margin increased from 73.4% in 2019 to 87.1% for the six months ended June 30, 2022, primarily attributable to higher operating leverage as a result of our larger business scale and improved operating efficiency.

Our operating expenses increased by 93.8% from HK\$591.9 million in 2019 to HK\$1,147.0 million in 2020, and further by 137.7% to HK\$2,726.4 million in 2021. Our operating expenses for the six months ended June 30, 2022 amounted to HK\$1,469.9 million (US\$187.3 million), which increased by 29.3% from HK\$1,137.2 million for the same period in 2021. The increase was primarily due to the increase in research and development expenses and general and administrative expenses as a result of our continued business growth.

The rapid increase in net income from HK\$165.7 million in 2019 to HK\$1,325.5 million in 2020 and further to HK\$2,810.2 million in 2021 were generally in line with the expansion of our business and the trading activity of our paying clients during the same period. The subsequent decrease in net income from HK\$1,696.2 million in the six months ended June 30, 2021 to HK\$1,213.5 million (US\$154.6 million) in the same period in 2022 was generally in line with the increase in operating expenses during the relevant period.

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.

During the Track Record Period, we generated revenues primarily from our online brokerage and margin financing services. 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	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	

SUMMARY

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.

The revenue generated from our securities and options brokerage increased from HK\$480.7 million in 2019, to HK\$1,878.0 million in 2020 and further to HK\$3,688.1 million in 2021, primarily due to the increase in our securities and options trading volume which was driven by the growth of our paying client base and their increased trading activities. However, the revenue generated from our securities and options brokerage decreased from HK\$2,024.8 million for the first six months ended June 30, 2021 to HK\$1,810.5 million (US\$230.7 million) for the first six months ended June 30, 2022, primarily because the securities and options trading volume declined compared to the same period in 2021 when market peaked.

The revenue generated from our futures brokerage increased from HK\$37 thousand in 2019, to HK\$32.5 million in 2020, and further to HK\$130.8 million in 2021, and from HK\$53.9 million for the six months ended June 30, 2021 to HK\$154.1 million (US\$19.6 million) for the six months ended June 30, 2022. The overall increase in revenue generated from our futures brokerage throughout the Track Record Period was generally in line with the expansion of our futures trading services and the increasing needs of investors for hedging instruments when the market was highly volatile.

The revenue generated from our IPO brokerage increased from HK\$28.0 million in 2019, to HK\$70.8 million in 2020 and further to HK\$75.6 million in 2021, primarily due to the expansion of our IPO subscription services. However, the revenue generated from our IPO brokerage decreased from HK\$38.4 million for the first six months ended June 30, 2021 to HK\$10.3 million (US\$1.3 million) for the first six months ended June 30, 2022, primarily due to the decrease in the overall number of IPO transactions in the U.S. and Hong Kong markets in the six months ended June 30, 2022.

The revenue from our other products and services increased from HK\$2.7 million in 2019, to HK\$8.7 million in 2020, and further to HK\$18.5 million in 2021, and from HK\$5.6 million for the six months ended June 30, 2021 to HK\$26.4 million (US\$3.4 million) for the six months ended June 30, 2022. The increase in revenue from our other products and services was due to an increase in income from ESOP handling charges, generally in line with the expansion of our ESOP solution services during the Track Record Period.

SUMMARY

Selected items from the Consolidated Balance Sheets

The following table sets forth our selected balance sheets as of the dates indicated:

	As of December 31,			As of June 30,	
	2019	2020	2021	2022	
	HK\$	HK\$	HK\$	HK\$	US\$
			(in thousands)		
Total current assets	21,072,369	70,842,465	100,702,456	108,236,029	13,792,949
Total non-current assets	327,555	495,302	836,058	1,522,251	193,987
Total assets	21,399,924	71,337,767	101,538,514	109,758,280	13,986,936
Total current liabilities	18,716,232	62,860,164	80,378,301	90,065,742	11,477,437
Total non-current liabilities	135,139	169,913	174,654	139,718	17,805
Total liabilities	18,851,371	63,030,077	80,552,955	90,205,460	11,495,242
Net current assets	2,356,137	7,982,301	20,324,155	18,170,287	2,315,512
Net assets	2,548,553	8,307,690	20,985,559	19,552,820	2,491,694

Our total current assets increased throughout the Track Record Period, primarily attributable to (i) the general increase in cash held on behalf of clients due to our continued business expansion and (ii) the increase in loans and advances as a result of an increase in margin loans, IPO loans extended to clients and other advances, collateralized by securities and carried at the amortized cost, net of an allowance for credit losses.

Our net current assets generally increased throughout the Track Record Period. In particular, our net current assets increased significantly from HK\$2,356.1 million as of December 31, 2019 to HK\$7,982.3 million as of December 31, 2020, and further to HK\$20,324.2 million as of December 31, 2021, primarily due to (i) the increase in cash held on behalf of clients, and (ii) the increase in loans and advances. Our net current assets subsequently decreased from HK\$20,324.2 million as of December 31, 2021 to HK\$18,170.3 million (US\$2,315.5 million) as of June 30, 2022, primarily due to the increase in our payables to our clients and brokers.

We recorded net assets of HK\$2,548.6 million, HK\$8,307.7 million, HK\$20,985.6 million and HK\$19,552.8 million (US\$2,491.7 million) as of December 31, 2019, 2020 and 2021, and June 30, 2022. Our net assets increased from HK\$2,548.6 million as of December 31, 2019 to HK\$8,307.7 million as of December 31, 2020, primarily due to (i) our net profit of HK\$1,325.5 million recognized in 2020, (ii) issuance of ordinary shares upon follow-on public offering of HK\$2,339.7 million, and (iii) issuance of pre-funded warrants of HK\$2,035.1 million. Our net assets increased from HK\$8,307.7 million as of December 31, 2020 to HK\$20,985.6 million as of December 31, 2021, primarily due to (i) our net profit of HK\$2,810.2 million recognized in 2021, and (ii) issuance of ordinary shares of HK\$10,856.5 million, partially offset by treasury stock purchases of HK\$1,178.8 million. Our net assets decreased from HK\$20,985.6 million as of December 31, 2021 to HK\$19,552.8 million (US\$2,491.7 million) as of June 30, 2022, primarily due to treasury share purchases of HK\$2,731.0 million, partially offset by our net profit of HK\$1,213.5 million recognized in six months ended June 30, 2022.

SUMMARY

Selected items from the Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	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)		
Net cash generated from/ (used in) operating activities . . .	1,969,434	20,456,717	6,011,971	(14,351,728)	14,118,089	1,799,124
Net cash (used in)/generated from investing activities	(160,057)	(244,175)	(963,565)	271,378	786,121	100,179
Net cash generated from/(used in) financing activities	1,151,622	8,406,896	10,554,218	34,721,267	(4,720,133)	(601,505)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(44,666)	(1,117)	167,130	30,620	89,218	11,369
Net increase in cash, cash equivalents and restricted cash	2,916,333	28,618,321	15,769,754	20,671,537	10,273,295	1,309,167
Cash, cash equivalents and restricted cash at beginning of the year/period	11,987,104	14,903,437	43,521,758	43,521,758	59,291,512	7,555,754
Cash, cash equivalents and restricted cash at end of the year/period	14,903,437	43,521,758	59,291,512	64,193,295	69,564,807	8,864,921

We had positive cash flow from operating activities of approximately HK\$14.1 billion (US\$1.8 billion) for the six months ended June 30, 2022, which was mainly attributable to the changes in the working capital. The changes were caused by increase in accounts payables to clients and brokers and decrease in loans and advances throughout the Track Record Period. The increase in accounts payable to clients and brokers was due to the increase of cash deposits as a result of the expansion of our brokerage business. The decrease of loans and advances was due to a decrease in trading activities of our clients. During the Track Record Period, we mainly relied on net proceeds from our securities offerings, cash generated from operating activities and loans provided by commercial banks, other licensed financial institutions and other parties for our cash resources.

We had negative cash flow from operating activities of approximately HK\$14.4 billion for the six months ended June 30, 2021, which was mainly attributable to the net increase in loans and advances of HK\$34.4 billion and net increase in accounts receivables from clients and brokers of HK\$4.3 billion for the period. The increase of loans and advances was primarily due to several ongoing IPO cases of sizeable scale that are mainly financed by our borrowings from banks as of June 30 2021, which were subsequently settled several days later and before the completion of such IPOs.

SUMMARY

RECONCILIATION BETWEEN U.S. GAAP AND IFRS

The consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. The main reconciling items include classification and measurement of preferred shares, issuance costs, operating leases, share-based compensation and expected credit loss. The following tables set forth the effects of material differences prepared under U.S. GAAP and IFRS:

	For the Year ended December 31,			For the Six Months ended June 30,	
	2019	2020	2021	2021	2022
	(HK\$ in thousands)			(unaudited)	
Reconciliation of net income attributable to our Company in the consolidated statements of comprehensive income					
Net income attributable to our Company in the consolidated statements of comprehensive income as reported under U.S. GAAP	165,664	1,325,523	2,810,210	1,696,190	1,213,525
IFRS adjustments:					
Classification and measurement of preferred shares	(216,140)	—	—	—	—
Issuance costs	(26,971)	—	(14,336)	—	(4,731)
Operating leases	(3,204)	(1,913)	(2,238)	(1,741)	(132)
Share-based compensation	(10,681)	(19,294)	(76,461)	(19,489)	(74,697)
Expected credit loss	1,533	(7,475)	(2,520)	(2,636)	(2,651)
Net (loss)/income attributable to our Company in the consolidated statements of comprehensive income as reported under IFRS	(89,799)	1,296,841	2,714,655	1,672,324	1,131,314

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(HK\$ in thousands)			
Reconciliation of total shareholders' equity in the consolidated balance sheets				
Total shareholders' equity as reported under U.S. GAAP . .	2,548,553	8,307,690	20,985,559	19,552,820
IFRS adjustments:				
Issuance costs	—	—	(14,336)	(19,067)
Operating leases	(4,303)	(6,001)	(8,454)	(8,151)
Expected credit loss	(2,330)	(9,805)	(12,342)	(14,958)
Total shareholders' equity as reported under IFRS	2,541,920	8,291,884	20,950,427	19,510,644

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated, or for the periods indicated:

	For the Year ended/as of December 31,			For the Six Months ended/as of June 30,	
	2019	2020	2021	2021	2022
Gross profit margin ⁽¹⁾ . .	73.4%	79.0%	83.1%	80.9%	87.1%
Net income margin ⁽²⁾ . .	15.5%	40.0%	39.5%	44.9%	35.8%
Return on equity ⁽³⁾	N.A. ⁽⁵⁾	24.4%	19.2%	N.A. ⁽⁵⁾	12.0% ⁽⁶⁾
Return on total assets ⁽⁴⁾	N.A. ⁽⁵⁾	2.9%	3.3%	N.A. ⁽⁵⁾	2.3% ⁽⁶⁾

Notes:

- (1) Equals gross profit divided by revenues for the period.
- (2) Equals net profit divided by revenues for the period.
- (3) Equals net profit divided by the average of beginning and ending total shareholders' equity for the period.
- (4) Equals net profit divided by the average of beginning and ending total asset for the period.
- (5) Our audited financial information for the year ended December 31, 2018 and our unaudited consolidated balance sheet as of June 30, 2021 are not included in this document.
- (6) Return on assets and return on equity for the six months ended June 30, 2022 were calculated by dividing the net profit for the period with average total shareholders' equity and average total assets multiplied by 2 in order to arrive at proforma annualized ratios.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The ADSs each of which represents eight of our Class A Ordinary Shares, were listed on the Nasdaq Global Market under the symbol "FHL" in March 2019 and currently traded under the symbol of "FUTU." We have applied to the Listing Committee of the Stock Exchange for a dual primary listing of our Company's Class A Ordinary Shares (as detailed below) on the Main Board of the Stock Exchange as an issuer with weighted voting rights structure under Chapter 8A of the Listing Rules.

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the Class A Ordinary Shares in issue; (ii) the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans; and (iii) the Class A Ordinary Shares that are issuable upon conversion of the Class B Ordinary Shares on a one to one basis.

Dealings in the Class A Ordinary Shares on the Stock Exchange are expected to commence on December 30, 2022.

BRIDGING ARRANGEMENTS

In connection with the Listing, the Designated Dealer and/or the Alternate Designated Dealer have been appointed as bridging dealer and alternate bridging dealer respectively and intend to implement certain bridging arrangements during the Bridging Period (being one month from and including the Listing Date). The Designated Dealer and the Alternate Designated Dealer have been appointed for a period of one month commencing from the Listing Date. The Bridging Period will end on January 29, 2023.

In connection with the bridging arrangements, on December 22, 2022, The Hongkong and Shanghai Banking Corporation Limited as borrower, entered into a stock borrowing and lending agreement (the "**Stock Borrowing Agreement**") with Lera Ultimate Limited as lender (the "**Lender**"). Pursuant to the Stock Borrowing Agreement, the Lender will make available to the borrowers stock lending facilities of 50,000,000 Class A Ordinary Share (the "**Borrowed Shares**"), or approximately 5.72% of the Class A Ordinary Shares in issue immediately upon Listing (without taking into account the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans), on one or more occasions, subject to applicable Laws. The Borrowed Shares will be registered on our Hong Kong Share register and admitted into CCASS prior to

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and upon Listing. The Borrowed Shares shall be returned to the Lender no later than 20 Business Days after the expiry of the Bridging Period. For further details, see “Market Arrangements to Facilitate Dealings in Hong Kong — Bridging Arrangements.”

INVESTOR EDUCATION

Prior to Listing, our Company and the Joint Sponsors will cooperate to inform the investor community of general information about our Company, as well as developments and/or changes to the market arrangements disclosed in this document. After Listing, our Company and the Joint Sponsors may continue to take measures to educate the public. The measures, including but not limited to media briefings and press interviews, analyst briefings to local brokerages/research houses that cover Hong Kong-listed companies and publication of announcements containing, among other matters, information on the developments and updates of the liquidity arrangements, may be taken to enhance transparency of our Company and the bridging arrangements as appropriate. For further details, see “Market Arrangements to Facilitate Dealings in Hong Kong — Investor Education”.

LISTING EXPENSES

Listing expenses mainly include (i) sponsor-related expenses of approximately HK\$23.5 million, and (ii) non-sponsor related expenses of approximately HK\$70.4 million, which consist of, professional fees paid to the reporting accountant, legal advisers and other professional parties for their services rendered in relation to the Listing of approximately HK\$56.4 million and other fees and expenses of approximately HK\$14.0 million. Approximately HK\$2.9 million and HK\$2.1 million of the listing expenses were recognized and charged to our consolidated statement of comprehensive income during the year ended December 31, 2021 and the six months ended June 30, 2022, respectively. After June 30, 2022, we expect approximately HK\$88.9 million of the listing expenses will be charged to the profit or loss of our Company. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

DIVIDEND AND DIVIDEND POLICY

Dividend

We did not declare or distribute any dividend to our Shareholders during the years ended December 31, 2019, 2020, 2021, and for the six months ended June 30, 2022.

Dividend policy

Our board of Directors has discretion on whether to distribute dividends. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of Directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to declare dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of Directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in Hong Kong, Mainland China, Singapore, the United States and Australia for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Regulations — Overview of the Laws and Regulations Relating to Our Presence in China — Regulations on Foreign Exchange — Regulations on Dividend Distribution.”

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If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying the ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder.

IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS

The ongoing COVID-19 pandemic has disrupted the business operations of many companies globally. We have taken a series of measures in response to the outbreak to protect our employees. See “Business — Health, Work Safety, Social Responsibility and Environmental Matters.” Our operations, including our services to our clients and internal control over financial reporting, have not been materially and adversely affected by these measures as we timely implemented our business continuity plan.

In July 2018, we were the first securities broker in Hong Kong to offer completely online-based account opening services, according to CIC, while many traditional financial institutions still utilize offline account opening and customer service models and had to suspend the operations at their physical branches as a result of the pandemic from time to time, which underscores the merits of a pure online one-stop financial technology platform where clients can enjoy an end-to-end mobile experience for everything from account opening to trade execution, margin lending, mutual fund investments, market news and social interaction.

We witnessed huge market volatility in the global capital markets in 2020, 2021, and the six months ended June 30, 2022. Such volatility has led to new account sign-ups, increasing trading velocity and higher net asset inflow, which benefited our operating and financial results for these periods. In the second quarter of 2022, our total client assets increased by 12.3% quarter-over-quarter to HK\$433.6 billion, primarily due to strong net asset inflow across regions. Our paying clients reached 1.38 million as of June 30, 2022, representing 38.6% year-over-year growth. Despite the increased market volatility, our rigorous risk management systems and procedures have prevented us from incurring any material losses in relation to margin financing business, and we had not identified any material COVID-19-related contingencies or impairments as of the Latest Practicable Date. Our business operation and financial performance had not been materially and adversely affected by the COVID-19 pandemic during the Track Record Period and up to the Latest Practicable Date.

While we experienced business growth in 2020 and 2021, we cannot predict whether this will continue at the same level in the future and whether client behavior will continue in a manner that is favorable to us. The improvement in our business and financial performance in 2020, 2021 and the first half of 2022 may not be sustainable. As there is still uncertainty around the duration of the pandemic, we cannot ascertain the potential impact of the pandemic on investor sentiments and the possibility of other effects on our business. In the event that this epidemic cannot be effectively and timely contained, our ability to consistently offer new products and services in the future may be disrupted, which in turn may harm the growth rate and retention of our clients, as well as our financial performance generally. The near-term economic impact of the COVID-19 outbreak is also uncertain.

See “Financial Information — Impact of COVID-19 on Our Operations” for more details.

REGULATORY OVERVIEW AND RECENT REGULATORY DEVELOPMENT

Regulatory Overview

As an online financial services platform, our licensed entities are subject to the laws and regulations of the relevant jurisdictions where they operate. Futu International Hong Kong is a SFC-licensed corporation subject to the SFO. Moomoo Financial Inc. and Futu Clearing Inc., as SEC-registered broker-dealers, are subject to the rules and regulations of the SEC and FINRA. Moomoo Financial Singapore, as a Capital Markets Services Licencee in Singapore, is subject to the rules and regulations by the MAS and other relevant regulatory authorities in Singapore. Futu Australia, which holds an Australian Financial Services License, is regulated by the Australian Securities and Investments Commission and subject to its rules and regulations. We do not engage in securities brokerage business in Mainland China and therefore we do not hold any license or permit for providing securities brokerage business in Mainland China.

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Our licensed entities 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. Our Group had not been subject to any enforcement or disciplinary actions initiated by the SEC during the Track Record Period and up to the Latest Practicable Date.

Key Regulatory Developments in China

Regulations relating to overseas listing

According to Article 6 of the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**2021 Negative List**”) which took effect on January 1, 2022, with respect to the securities offering and listing in an overseas market by a domestic company engaging in the fields prohibited by the 2021 Negative List, the consent of the relevant competent authorities of the State shall be obtained, and overseas investors shall not participate in the operation and management of the enterprise, and overseas investors' shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors. On December 24, 2021, the CSRC issued the Provisions of the State Council on Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) 《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》 (the “**Draft Administration Provisions**”), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) 《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》 (the “**Draft Filing Measures**”), which were open for public comments until January 23, 2022. As of the Latest Practicable Date, the Draft Administration Provisions and the Draft Filing Measures have not been formally adopted and the relevant PRC laws and regulations have not yet made clear provisions on whether regulatory opinions, record-filing or approval documents issued by the competent industry authorities are required to be obtained for the indirect overseas issuance and listing of securities by domestic companies through a VIE structure. It is also unclear how the CSRC will seek the opinions of competent industry authorities or relevant authorities in the record-filing process in case of companies involved in prohibited sectors under the 2021 Negative List. For details, see “Risk Factors — Risks Related to Our Presence in China — The approval of the CSRC or other PRC government authorities may be required in connection with the Listing under PRC law, and, if require, we cannot predict whether or for how long we will be able to obtain such approval.” and “Contractual Arrangements — Developments in the PRC Legislation on Foreign Investment — Filings and Approvals from PRC Governmental Authorities”.

Regulations relating to Cybersecurity and Data Privacy

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law of the PRC (《中華人民共和

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國個人信息保護法》), effective from November 1, 2021. On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which has become effective on September 1, 2022. Such data export measures requires 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. For details on CAC assessment of data transfer, see “Business — Regulatory Development — PRC Cybersecurity and Data Protection — Other applicable PRC data security and cybersecurity laws and regulations” and “Risk Factors — Risks Related to Our Business and Industry — Our operations and services involve collection, processing, and storage of significant amounts of data concerning our clients, business partners and employees and may be subject to complex and evolving laws and regulations regarding privacy and data protection and cybersecurity. If we fail to comply with the relevant laws and regulations, our business, results of operations and financial condition may be adversely affected.”

On July 30, 2021, the State Council promulgated the Regulations on Protection of Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021. On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC regulatory authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》) which became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing in a foreign country (國外上市). Furthermore, on November 14, 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Network Data, which reiterate the circumstances under which data processors shall apply for cybersecurity review. However, it provides no further explanation or interpretation as to how to determine what “may affect national security,” and there remain uncertainties whether we would be subject to the cybersecurity review for this Listing pursuant to such measures. For more details on cybersecurity review, see “Business Regulatory Development — PRC Cybersecurity and Data Protection” and “Risk Factors — Risks Related to Our Business and Industry — Our operations and services involve collection, processing, and storage of significant amounts of data concerning our clients, business partners and employees and may be subject to complex and evolving laws and regulations regarding privacy and data protection and cybersecurity. If we fail to comply with the relevant laws and regulations, our business, results of operations and financial condition may be adversely affected.”

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR collectively promulgated the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》), which came into effect on May 1, 2021. Furthermore, the CAC promulgated the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), or the Mobile Application Administrative Provisions, and further revised it on June 14, 2022, which became effective on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, mobile internet app providers refer to the owners or operators of mobile internet apps. For more details, please see “Regulations — Overview of the Laws and Regulations Relating to Our Presence in China — Regulations on Cybersecurity and Privacy — Regulations on Privacy Protection.”

RECENT DEVELOPMENT

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2022, being the end date of the periods reported in the Accountant’s Report set out in Appendix IA, and there is no event since June 30, 2022 that would materially affect the information shown in the Accountant’s Report set out in Appendix IA up to the date of this document. Our financial performance for the year ending December 31, 2022 is expected to be adversely affected by a decline in trading volume of the global securities markets from the high base in 2021 when market peaked.

SUMMARY

The table below summarizes our results of operations for the periods indicated, which were extracted from the unaudited interim condensed consolidated financial information as set out in Appendix IB:

	For the Nine months ended September 30,		
	2021	2022	
	HK\$ (unaudited)	HK\$ (in thousands) (unaudited)	US\$ (unaudited)
Total revenues	5,512,511	5,333,308	679,420
Total costs	(989,211)	(653,962)	(83,309)
Total gross profit	4,523,300	4,679,346	596,111
Total operating expenses	(1,900,940)	(2,231,107)	(284,225)
Income before income tax expenses and share of loss from equity method investment	2,612,669	2,229,064	283,965
Net income	2,311,401	1,968,168	250,729

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Revenues

Our revenues decreased by 3.3% from HK\$5,512.5 million in the nine months ended September 30, 2021 to HK\$5,333.3 million (US\$679.4 million) in the nine months ended September 30, 2022.

- *Brokerage commission and handling charge income.* Our brokerage commission and handling charge income decreased by 3.2% from HK\$3,056.1 million in the nine months ended September 30, 2021 to HK\$2,959.1 million (US\$377.0 million) in the nine months ended September 30, 2022. The decrease was primarily due to a decline in trading volume compared to the same period in 2021 when market peaked, which was partially offset by an increase in the blended commission rate as applied based on trading volume from 6.2 basis points to 7.9 basis points.
- *Interest income.* Interest income increased by 9.3% from HK\$1,900.6 million in the nine months ended September 30, 2021 to HK\$2,076.5 million (US\$264.6 million) in the nine months ended September 30, 2022. The increase was mainly driven by higher interest income from bank deposits amid rate hikes despite lower margin financing income and IPO financing interest income.
- *Other income.* Our other income decreased by 46.4% from HK\$555.8 million in the nine months ended September 30, 2021 to HK\$297.8 million (US\$37.9 million) in the nine months ended September 30, 2022. The decrease was primarily due to lower IPO financing service charge income and underwriting fee income.

Costs

Our total costs decreased by 33.9% from HK\$989.2 million in the nine months ended September 30, 2021 to HK\$654.0 million (US\$83.3 million) in the nine months ended September 30, 2022.

Operating expenses

Our total operating expenses increased by 17.4% from HK\$1,900.9 million in the nine months ended September 30, 2021 to HK\$2,231.1 million (US\$284.2 million) in the nine months ended September 30, 2022. The increase was mainly driven by an increase in employee compensation and benefits from HK\$785.2 million to HK\$ 1,497.8 million, which was primarily due to (i) an increase in headcount for across various functions, and (ii) an increase in the number of RSUs granted to our employees under the 2019 Share Incentive Plan in 2022.

SUMMARY

Net income and net income margin

We recorded net income of HK\$1,968.2 million (US\$250.7 million) and net income margin at 36.9% in the nine months ended September 30, 2022, compared to net income of HK\$2,311.4 million and net income margin at 41.9% in the nine months ended September 30, 2021.

See “Financial Information — Recent Development — Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021.”

SUMMARY OF THIRD QUARTER 2022 HIGHLIGHTS

- **Total revenues** increased 12.4% year-over-year to HK\$1,945.6 million (US\$247.9 million).
- **Total gross profit** increased 18.0% year-over-year to HK\$1,727.5 million (US\$220.1 million).
- **Net income** increased 22.7% year-over-year to HK\$754.6 million (US\$96.1 million).
- **Total number of paying clients** increased 23.8% year-over-year to 1,444,955 as of September 30, 2022.
- **Total number of users** increased 15.6% year-over-year to 19.2 million as of September 30, 2022.