
REGULATORY FRAMEWORK

Our Group, through CFS, principally carries on our business in the capacity as an insurance broker in Hong Kong, which is regulated under a self-regulatory system.

The self-regulatory system for insurance intermediaries, i.e., insurance agents and brokers, is supported by legislation which is contained in Part X of the ICO. The regulations for insurance intermediaries have been in operation since 30 June 1995. They define the distinct roles of insurance brokers and require them to be appointed or authorised respectively in accordance with the relevant provisions of the ICO.

Under section 65 of the ICO, a person is prohibited from holding himself out as an insurance broker unless he is properly appointed or authorised. A person is also prohibited from holding himself out as an appointed insurance agent and an authorised insurance broker at the same time. It is an offence under the ICO for an insurer to effect a contract of insurance through, or accept insurance business referred to it by, an insurance intermediary who has not been properly appointed or authorised.

A person intending to act as an insurance broker shall either seek authorisation from the IA or apply to become a member of a body of insurance brokers approved by the IA. An insurance broker who is directly authorised by the IA or is a member of an approved body of insurance brokers is subject to the same statutory requirements. The appointment of any person as a consultant by an insurance broker is subject to the confirmation and registration of the IA or the relevant approved body of insurance brokers (as the case may be). As specified by the IA, an insurance broker shall obtain the confirmation of the IA or the relevant approved body of insurance brokers (as the case may be) before confirming the appointment of any person as its consultant to act for it or on its behalf for providing advice to a policyholder or potential policyholder on insurance matters, or negotiating or arranging contracts of insurance in or from Hong Kong for a policyholder or potential policyholder.

For an insurance broker who is a member of an approved body of insurance brokers, he is also subject to the membership regulation of his own professional body which is approved by the IA.

In order to be authorised as an insurance broker or be admitted as a member of an approved body of insurance brokers, a person, apart from being fit and proper to be an insurance broker, has to satisfy the minimum requirements specified by the IA with regard to:

- (i) qualifications and experience;
- (ii) capital and net assets;
- (iii) professional indemnity insurance;
- (iv) keeping of separate customer accounts; and
- (v) keeping of proper books and accounts.

Under the minimum requirements for insurance brokers specified by the IA, in considering whether the appointment of consultant by an insurance broker can be confirmed and registered by the IA or the relevant approved body of insurance brokers (as the case may be), the following factors shall, inter alia, be taken into account:

- (i) whether the consultant is fit and proper to act as an insurance broker if he/she were to apply to be authorised as such;

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- (ii) whether the consultant has passed the relevant papers of the qualifying examination as specified by the IA;
- (iii) whether the consultant has complied with the requirements of the continuing professional development programme as specified by the IA; and
- (iv) any other requirements as specified by the IA.

The IA is required to maintain a register of authorised insurance brokers as well as a register of approved bodies of insurance brokers. The registers are open for public inspection.

An approved body of insurance brokers is required to maintain a register of its members which contains information required by the IA in respect of each member for public inspection.

Under this self-regulatory system, CFS is approved as an insurance broker by PIBA, which is in turn approved by the IA as a body of insurance brokers and all of its consultants have obtained the confirmation and registration of PIBA before their appointment by CFS as the Consultants.

PIBA has promulgated a set of rules and regulations to which CFS is required to comply. These rules and regulations cover the following areas:

- (i) Membership;
- (ii) Nominated accounts;
- (iii) Eligibility to membership;
- (iv) Code of conduct;
- (v) Monitoring compliance;
- (vi) Misconduct;
- (vii) Power of the membership committee; and
- (viii) Disciplinary matters.

For the time being, major business of CFS in its capacity as an insurance broker is the negotiating for ILAS as contracts of insurance.

The advertisements, invitations or other documents which contain an invitation to the public to acquire an interest in or participate in, or offer to acquire an interest in or participate in ILAS require SFC's approval, and all ILAS dealt with by CFS are listed as Authorised Investment Products by the SFC.

On the other hand, SFC has clarified in the SFC Circular that, among others, as a general rule, the SFC considers that insurance intermediaries who are promoting, offering or selling ILAS to the public are neither obliged nor permitted to be licensed under the SFO. As a result, an insurance broker may arrange with his/her customers to purchase authorised ILAS without the need for registration as an investment adviser or an investment representative under the SFO. Therefore, CFS is not required and in fact is not licensed by SFC. Our Company is advised by its legal advisers as to Hong Kong law that their view are in line with the view of the SFC under the SFC Circular that, as a general rule, insurance intermediaries who are dealing solely in ILAS and other insurance products are neither obliged nor permitted to be licensed under the SFO.

Our Group, through CFS, also carries on business in its capacity as a MPF intermediary. MPF is regulated by the MPFA.

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The MPFA, rather than licensing MPF intermediaries directly, relies on the existing regulatory regimes, including, among others, the IA (including the self-regulated organisations (“SROs” e.g. PIBA)), as far as practicable for the licensing and supervision of MPF intermediaries, with the MPFA acting as the lead regulator and coordinator, under Mandatory Provident Fund Schemes Ordinance (Cap. 485).

To meet basic registration requirements, an applicant must be supervised by one or more of the three financial regulatory regimes — the MPFA, the IA and/or the SFC. An individual applicant must pass an MPF intermediaries examination recognised by the MPFA. In addition, the applicant must satisfy the MPFA that he/she is fit and proper to be registered as an MPF intermediary. The regulatory regime of IA and PIBA (as one of the SROs) will be relevant for our Company.

Generally speaking, the MPFA, in registering MPF intermediaries, is not likely to be satisfied that an applicant is a fit and proper person, if the person (whether in Hong Kong or elsewhere): (i) has been found by a court to have acted fraudulently or dishonestly, has been convicted of a criminal offence, or is the subject of unresolved criminal charges which are of direct relevance to fitness and properness; (ii) is an undischarged bankrupt, is currently subject to bankruptcy proceedings, or is a bankrupt who has recently been discharged; (iii) has been denied membership/registration of any professional/regulatory body due to reasons other than insufficient qualification/experience, or disqualified/censured/disciplined by any professional/regulatory body due to serious misconduct; and (iv) has failed to comply with the CPD requirement during his period of registration as an MPF intermediary.

For MPF intermediaries (corporate and individual) intending to give advice on insurance policies, they or their employers would need to be registered or authorised under the IA regime.

Upon registration with the MPFA, MPF intermediaries are issued with MPF intermediary certificates (“MPF certificates”). Prior to issuing MPF certificates, MPF intermediaries cards would be issued.

MPF certificates will only be issued to MPF individual intermediaries who are sponsored by MPF corporate intermediaries.

A register bearing particulars of registered MPF intermediaries is available for inspection at the office of the MPFA. Enquiries can also be made through an enquiry hotline.

An MPF corporate intermediary should lodge with the MPFA an annual return within the stipulated timeframe.

Upon registration with the MPFA, all MPF intermediaries, whether corporate or individual, are required to fulfill the requirement in respect of CPD as stipulated in the Guide to Continuing Professional Development for MPF Intermediaries in order to remain fit and proper to be registered as MPF intermediaries.

All MPF intermediaries must be fit and proper to remain registered with the MPFA.

At present, our Group does not conduct or intend to conduct business in the PRC or anywhere outside Hong Kong through any means. In this regard, the regulatory framework of jurisdictions other than Hong Kong is not relevant to our Group’s current business and/or application for Listing.