You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our Group's consolidated financial information included in the accountant's report, which has been prepared in accordance with the HKFRSs, as set out in Appendix I to this prospectus, and the unaudited pro forma financial information set out in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements which involve risks and uncertainties. Our Group's actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a financial investment services corporation which specialises in serving the overseas Chinese and Japanese communities through our offices in New Zealand, Australia and Hong Kong. Our primary focus is on the provision of leveraged forex and other trading, while the provision of cash dealing and securities trading referral services also forms part of our business model. Our leveraged forex and other trading products include 32 currency pairs, four indices and five commodities.

Our income mainly represents income derived from the provision of leveraged forex and other trading services and cash dealing services. The following table sets out the breakdown of our Group's income during the Track Record Period:

	Year ended 31 December			
	2011		2012	
	HK$'000	*% of total income*	*HK$'000*	*% of total income*
Leveraged forex and other trading	107,526	69.3	86,951	70.6
Cash dealing	12,602	8.1	9,310	7.5
Other	35,114	22.6	26,961	21.9
Total	**155,242**	**100.0**	**123,222**	**100.0**

Leveraged forex and other trading income

Forex trading is one of the fastest-growing areas of retail trading in the financial services industry. In a forex trade, participants buy one currency and simultaneously sell another currency. We refer to the two currencies in a forex trade as a currency pair. The first currency noted in the pair is the base currency and the second is the counter currency. An investor speculates that one currency will appreciate in relation to the counter currency in the pair. Our clients make a profit or suffer a loss depending on the difference between the exchange rates at which our clients open and close their positions. Inherently, the magnitude of price changes in respect of forex, indices and commodities are usually not apparent in any single trading day under normal market conditions. Leverage, being a scheme to make the trading more attractive, is added to our forex and other trading services to amplify the profit or loss on price changes. Such profit or loss is amplified by the leverage ratio granted to our clients. In providing leverage to our clients, our Group does not lend money or provide credit to our clients for purchase of the contract sum since there is no physical settlement of the contract sum in underlying currency and only the difference in respect of price changes is required to be settled.

Our leveraged forex and other trading income is mainly generated as follows:

(a) for the trades of one client which are naturally hedged against and offset the trades of another client, we receive the bid/offer spreads we offer to both clients in the two offsetting transactions; and

(b) for the trades which are hedged with one of the market makers, we receive the difference between the retail bid/offer spreads we offer to our clients and the wholesale bid/offer spreads from market makers.

Cash dealing income

Besides our leveraged business, our Group also provides cash dealing services to KVB FX, KVB FX Pty and KVB CA, being all our cash dealing business clients as at the Latest Practicable Date and the subsidiaries of KVB Holdings which were engaged in the money changing business, during the Track Record Period for the purpose of hedging their cash positions and meeting settlement obligations. The business model of cash dealing is the same as the leveraged forex and other trading except for the amplifying effect, range of products and settlement amounts. Leveraged forex and other trading is traded up to 200 times of the amount of margin deposits whereas cash dealing is traded without any leverage. Leveraged forex and other trading includes forex, indices and commodities, whereas cash dealing only deals with products like physical forex. Leveraged forex and other trading would have settlement of net profit or loss rather than the full nominal value of forex in contract whereas cash dealing would have its full nominal value of forex in contract settled. We are rewarded the spread between the price quoted to KVB FX, KVB FX Pty and KVB CA and the price offered by market makers.

Other income

Our other income is principally derived from (a) the provision of management services to related companies which are based on sharing of actual cost or actual cost plus markup; (b) fees and commission income incidental to the business operations of leveraged forex and other trading based on the added fees and commissions charged on forex and other trading business, which consists of commission charged on our clients trading through mini-accounts (as the scale of transaction is usually very small), commission charges imposed on certain clients referred by referral parties and fees received from our clients for additional services rendered like remittance charge on withdrawal of money; and (c) securities referral service based on approximately 0.4% to 0.7% of the dollar amounts of the transactions of our clients executed by the executing brokers.

By providing securities trading referral services, we refer our clients interested in trading securities to executing brokers. Our clients may trade a variety of products including securities, indices, warrants, bonds and mutual funds with the executing brokers and all trades are referred to and executed with the executing brokers. We receive commission rebates from the executing brokers based on the size of our clients' trades. For the two years ended 31 December 2011 and 31 December 2012, income derived from our Group's securities trading referral services accounted for approximately 0.4% and 0.4% of our Group's total income, respectively.

BASIS OF PRESENTATION

For the purpose of this prospectus, the financial information of our Group has been prepared using the principles of merger accounting. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of our Group for the Track Record Period have been prepared on a consolidated basis and include the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The consolidated balance sheets of our Group as at 31 December 2011 and 31 December 2012 have been prepared to present the assets and liabilities of our Group as at these dates as if the current group structure had been in existence as at these dates.

The net assets and results of our Group are consolidated using the existing book values from our Controlling Shareholders' perspective.

All significant intra-group transactions and balances have been eliminated on consolidated.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Global demand for leveraged forex trading services and volatility in the forex market

We mainly provide leveraged forex and other trading services to our clients, while the provision of cash dealing and securities trading referral services also forms part of our business model. Our results of operations are therefore directly affected by the global demand for leveraged forex trading and the magnitude of changes in forex rate. The demand for leveraged forex trading services generally depends on, among other factors, the social and economic conditions of various places in the world, and in our case, mainly in New Zealand, Australia and Hong Kong. The demand for leveraged forex trading services also depends on the clients' preference on the choice of investment products. In addition, a highly volatile market condition will help our business in term of trading volume and vice versa. Therefore, the higher global demand for leveraged forex trading services and volatility in the forex market would contribute to the success of our Group.

The ability of our Group to respond to changes in terms of market makers

Our operating results are affected by the terms of the agreements entered into between our Group and market makers. We generally act as the market maker to our clients' trades and as the agent for trades conducted by our clients. We are rewarded the spread between the price quoted to our clients and the price offered by market makers. Market makers may change the pricing and other terms of our leveraged trading and cash dealing. Any changes in terms may have a significant impact on the financial results of our business.

The ability of our Group to respond to changes in technology

Our online trading platform, ForexStar, provides our clients access to the margin trading markets from virtually anywhere around the world in an efficient and cost-effective manner. We believe our information technology, educational programmes and multilingual client services professionals provide an effective means of enhancing our clients' satisfaction and loyalty and our technology infrastructure allows us to enhance our services to meet the rapidly changing market needs. Our results of operations are therefore vulnerable to changes in technology. We believe that a key to our success is our ability to identify technological and market trends and maintain such technological advancement to satisfy our clients' needs.

The ability of our Group to respond to changes in regulatory regime

The financial services industry in which we operate is highly regulated. There is a recent trend of tightening regulatory requirements around the world to protect investors in the financial services industry. Any material changes in the regulatory requirements may result in additional cost of compliance and affect our results of operations. Our Group may require additional funding to support the requirements imposed by the respective regulators in respect of, among others, the enhanced minimum liquid capital requirements and other costs of compliance.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial information requires our management to make judgements, estimates and assumptions which affect revenue, expenses, carrying amounts of assets and liabilities, and disclosure of contingent liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from those estimates. The following sets out certain accounting policies which our management considers to be critical in the portrayal of our financial condition and results of operations.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably on the following bases:

(a) fees and commission income, when the services have been rendered;

(b) management fees income, when the services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate which discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

The leveraged forex and other trading income and the cash dealing income include the unrealised and realised profit or loss of the related transactions. The realised profit or loss is recognised when the related transactions are settled at each period and the unrealised profit or loss are recognised based on the market value of the related forex contracts at the period end.

Fees and commission income, management fees income and interest income are reported as "other income".

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure which is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Leasehold improvements	10 years or over the lease term, whichever is shorter
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill which suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Income tax

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where our subsidiaries operate and generate taxable income. Our management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. Deferred income tax is determined using tax rates (and laws) which have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by our Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

SUMMARY OF RESULTS OF OUR GROUP

The following is a summary of our Group's results during the Track Record Period which has been extracted from the accountant's report set out in Appendix I to this prospectus.

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Leveraged forex and other trading income	107,526	86,951
Cash dealing income	12,602	9,310
Other income	35,114	26,961
Total income	155,242	123,222
Fees and commission expenses	34,631	48,804
Staff costs	38,769	29,532
Depreciation and amortisation	2,637	2,307
Minimum lease payments under land and buildings	6,521	5,777
Administrative and other operating expenses	22,234	34,064
Total expenses	104,792	120,484
Operating profit	50,450	2,738
Finance costs	(145)	(306)
Profit before tax	50,305	2,432
Income tax expense	(14,750)	(4,181)
Profit for the year	35,555	(1,749)
Other comprehensive income		
Currency translation difference	(2,254)	4,586
Other comprehensive income for the year, net of tax	(2,254)	4,586
Total comprehensive income for the year	33,301	2,837

PRINCIPAL COMPONENTS OF STATEMENTS OF COMPREHENSIVE INCOME

Income

Our Group is principally engaged in leveraged forex and other trading and also cash dealing business.

Our income mainly represents income derived from the provision of leveraged forex and other trading services and cash dealing services. The following table sets out the breakdown of our Group's income during the Track Record Period:

	Year ended 31 December			
	2011		2012	
	HK$'000	*% of total income*	*HK$'000*	*% of total income*
Leveraged forex and other trading	107,526	69.3	86,951	70.6
Cash dealing	12,602	8.1	9,310	7.5
Other	35,114	22.6	26,961	21.9
Total	**155,242**	**100.0**	**123,222**	**100.0**

A. Leveraged forex and other trading income

In leveraged forex trading, currencies are listed in pairs. The first currency noted in the pair is the base currency and the second one is the counter currency. An investor speculates that one currency will appreciate in relation to the counter currency in the pair. We facilitate these trades by providing our clients with our online trading platform, ForexStar, which allows them to buy and sell in 32 currency pairs. Other than leveraged forex trading, we also offer leveraged trading to our clients to buy and sell four indices, namely Dow Jones Industrial Average, Hang Seng Index, Nikkei 225 and Standard & Poor's 500, and five commodities, namely gold (denominated in both RMB and USD), silver (denominated in both RMB and USD), crude oil (denominated in USD), corn (which was introduced in 2013) and soybean (which was introduced in 2013).

Different clients are allowed to trade with a leverage ratio from 5 times to 200 times with margin deposits of not less than 0.5% to 20% of the contract value to us.

Our leveraged forex and other trading income is mainly generated by the following ways:

(a) for the trades of one client which are naturally hedged against and offset the trades of another client, we receive the bid/offer spreads we offer to both clients in the two offsetting transactions; and

(b) for the trades which are hedged with one of the market makers, we receive the difference between the retail bid/offer spreads we offer to our clients and the wholesale bid/offer spreads from market makers.

The level of income and our performance is principally affected by the market volatility and the trading volume of our clients. As a general rule, changes in bid/offer spreads are generally accepted to be correlated to market volatility and liquidity as an empirical phenomenon. Accordingly, our Group adjusts the spreads offered to our clients corresponding to the prevailing spreads offered in the market in that the higher the volatility, the higher the spreads we can earn. Market volatility is driven by a range of external factors which are beyond our control, some of which are market specific (such as the European debt crisis in 2011) and some of which are correlated to general macroeconomic conditions.

Trading volume is driven by both external and internal factors. External factors include, but not limited to, the general economic conditions, financial strength of market participants, regulatory changes and political environment. Internal factors mainly come from the effectiveness of our sales and marketing strategies, the competitiveness of our technology, the pricing offered to our clients and the quality of our client services.

Meanwhile, we earn swap income by applying our markup to the interest rate credited and debited to our clients' overnight rollover currency pairs positions. The swap income (recognised as leveraged forex and other trading income under the New Zealand margin dealing segment and the Hong Kong margin dealing segment) earned from our clients in the two years ended 31 December 2011 and 31 December 2012 was approximately HK$12.9 million and HK$15.7 million, respectively. The changes in swap income was principally attributable to the changes in overnight rollover positions of our clients. As a result, the level of swap income depends on the number of clients and their respective trading strategies.

All relevant income is recorded in accordance with the jurisdictions in which the client services agreements are executed. The reasons and commercial rationales for adopting such income recognition arrangement are as follows:

(a) KVB NZ is the first member of our Group with its dealing room established in 2003;

(b) our Group provides dealing room services on a 24-hour basis. In the opinion of our Directors, it is not cost-effective to maintain dealing rooms with similar functions in places with close time zone and therefore our Group's second dealing room is maintained in Hong Kong and no dealing room is maintained in Australia;

(c) only KVB NZ and KVB HK execute contracts with market makers and are able to act as market makers for the leveraged forex and other trading business for our clients;

(d) client services agreements have to be signed between KVB NZ and our clients introduced by KVB AU;

(e) KVB AU only acts as an introducing broker to KVB NZ and does not actively participate in the management of currency positions of our Group; and

(f) the respective income recognitions of our Group, KVB NZ and KVB AU are accounted for in accordance with the HKFRSs.

Our Directors consider that such arrangement is consistent with the terms as stipulated in the introducing broker agreement between KVB NZ and KVB AU. Our Directors have confirmed that such arrangement is not implemented in order to bypass any applicable laws, rules or regulations in Australia given that (a) our Group has presented the business models of KVB NZ and KVB AU and the introducing broker arrangement between them to the ASIC at which the ASIC had not raised objections to; and (b) KVB NZ has obtained the relevant registration under the ASIC to carry out the required activities under the licence of KVB AU.

Our dealing rooms are located in New Zealand and Hong Kong to provide market liquidity and market pricing to our clients and monitor the daily activities of the leveraged forex and other trading business. Therefore, our clients may enter into client services agreements either with KVB NZ or KVB HK. In addition, the target clients of our Group are overseas Chinese and Japanese in New Zealand and Australia and therefore minimal marketing and promotional resources are invested in Hong Kong, resulting in minimal number of clients in Hong Kong.

With reference to the segment reporting as set out in note 6 to the accountant's report in Appendix I to this prospectus, details of the business of each segment are set out below:

Given that there is no dealing room in Australia, KVB AU acts as an introducing broker and refers prospective and suitable clients in Australia to KVB NZ for trade execution. Therefore, no margin dealing income was recorded in Australia during the Track Record Period. The number of clients who reside in Australia but executed the client services agreements with KVB NZ was approximately 1,100 and 1,200 as at 31 December 2011 and 31 December 2012, respectively. Since the existing introducing broker arrangement is in compliance with the applicable laws, rules and regulations in Australia, KVB NZ will continue to enter into the client services agreements with our clients introduced by KVB AU. Except for the cost saved from centralised supporting functions including settlement function, there are no preferential treatments or benefits available to our Group under such arrangement.

Inter-segment sales of Hong Kong margin dealing segment represent the income allocated from the New Zealand margin dealing segment to the dealing room function in Hong Kong. Our two dealing rooms operate throughout 24 hours in three shifts. Our dealing room in New Zealand is responsible for one shift and the remaining two shifts are carried out by our dealing room in Hong Kong. As such, our income was allocated from New Zealand to Hong Kong to cover the contributions of our dealing room in Hong Kong. Inter-segment sales of investment sales segments represent the income allocated from the New Zealand margin dealing segment to the sales and marketing function through inception of clients by our investment sales teams in New Zealand and Australia. The pricing was determined with reference to the prevailing market price of transaction fees based on the number of lots traded in order to share the deemed profit to different functions in various jurisdictions in which our Group operates.

KVB AU acts as an introducing broker to refer prospective and suitable clients residing in Australia to KVB NZ, while KVB HK provides the dealing room functions to KVB NZ for trade execution. Such arrangements are in compliance with the applicable laws, rules and regulations in the respective jurisdictions.

The reporting accountant of our Company issued the accountant's report as set out in Appendix I to this prospectus without qualification of the consolidated financial information for the two years ended 31 December 2011 and 31 December 2012. Our Directors consider that there was no underprovision of taxation expenses during the Track Record Period in relation to the above cross-border business activities.

The "unallocated" revenue is mainly (a) the leveraged forex trading profit or loss resulting from our proprietary trading activities to manage the risks exposed to fluctuation in foreign currency positions during the Track Record Period; and (b) cash dealing income in Hong Kong, which cannot be allocated to each reportable segments of our Group.

B. Cash dealing income

Besides our leveraged business, our Group also provides cash dealing services to KVB FX, KVB FX Pty and KVB CA, the subsidiaries of KVB Holdings which were engaged in the money changing business, during the Track Record Period for the purpose of hedging their cash positions and meeting settlement obligations. Our cash dealing services are rendered by a separate cash dealing team in our dealing rooms. We are rewarded the spread between the price quoted to KVB FX, KVB FX Pty and KVB CA and the price offered by market makers. All amounts are settled through bank transfer or telegraphic transfer.

C. Other income

Our other income is principally derived from (a) the provision of management services to related companies which are based on sharing of actual cost or actual cost plus markup; (b) fees and commission income incidental to the business operations of leveraged forex and other trading based on the fees and commissions charged on forex and other trading business, which consists of commission charged on our clients trading through mini-accounts (as the scale of transaction is usually very small), commission charges imposed on certain clients referred by referral parties and fees received from our clients for additional services rendered like remittance charge on withdrawal of money; and (c) securities referral service based on approximately 0.4% to 0.7% of the dollar amounts of the transactions of our clients executed by the executing brokers. Except for management services which may have been settled by cheques, all other amounts are settled through bank transfer or telegraphic transfer. There is no supplier for other income of our Group. The following table sets out the breakdown of our Group's other income during the Track Record Period:

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Other income:		
Provision of management services	12,803	7,916
Fees and commission income	16,270	22,301
Interest income	1,902	1,571
Exchange gain/(loss), net	3,362	(5,343)
Others	777	516
	35,114	26,961

a. Provision of management services

During the Track Record Period, our Group provided certain services including management, information technology, marketing and administrative services to and shared office premises with KVB Holdings and certain of its associates. Management services income is determined with reference to the cost of providing services plus markup.

b. Fees and commission income

Fees and commission income represents the commission income derived from leveraged forex and other trading, securities trading referral and research and consultancy fee income as follows:

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Fees and commission income:		
Commission income from leveraged forex and other trading	14,266	21,415
Securities trading referral income	573	544
Research and consultancy fee	1,128	255
Others	303	87
	16,270	22,301

As requested by certain referral parties, certain clients of our leveraged forex and other trading referred by referral parties were imposed commission charges on each trading lot. Such commission charges may vary with each referral party, the majority of which were paid as commission expenses to referral parties.

Securities trading referral income represents the commission rebate in respect of profit sharing arrangement on introduction of clients to executing brokers based on the size of the referred clients' trades. The referred clients may trade a variety of products including equities, indices, warrants, bonds and mutual funds with the executing brokers and all trades are referred to and executed with the executing brokers.

Research and consultancy fee represents consultancy income from the issue of brief research reports in relation to equity securities traded on the Tokyo Stock Exchange at the request of our clients. The issue of research reports in our own name may help us promote our business and branding and did not incur much additional cost.

c. Interest income

Interest income is mainly generated by the deposits made with banks and financial institutions.

d. Exchange gain/(loss), net

This mainly represents the unrealised gain/(loss) arising from the revaluation of monetary assets or liabilities denominated in foreign currency to the local reporting currency at month-end closing rate and the realised exchange gain/(loss) in settlement of daily operating expenses in foreign currency.

Fees and commission expenses

Fees and commission expenses represent the commission paid to referral parties and other incidental direct costs as follows:

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Fees and commission expenses:		
Commission to referral parties and the Japanese white label partner *(Note)*	33,477	47,474
Other fees paid	1,154	1,330
	34,631	48,804

Note: Since September 2012, our Group has ceased business relationships with all white label partners.

Our fees and commission expenses represented approximately 22.3% and 39.6% of our total income for the two years ended 31 December 2011 and 31 December 2012, respectively. The major component of our fees and commission expenses is the commission paid to referral parties which is an important sales and marketing channel to our Group.

Our sales and marketing strategies focus on three distribution channels, one of which is direct and the other two are indirect:

(a) Direct marketing channel

In executing our direct marketing strategy, we use a mix of online, television and email marketing, educational forex seminars and other public and media relations. This marketing channel is important to our Group for building long term brand and reputation. The direct sales and marketing function is carried out by our sales and marketing staff to which we incur staff costs and advertising/marketing expenses in our income statement.

(b) Indirect marketing channel

(i) Referral parties

This indirect marketing channel utilises a network of referral parties. Referral parties refer clients interested in leveraged trading to us in exchange for performance-based commission. Clients originating from referral parties open their accounts with our Group to which we provide client services, execution and other back office support services. This indirect channel is also important to our Group since it enables our Group to expand our client base in a relatively short period of time and react to the market changes swiftly. This strategy was proven to be successful in which we could capture the increase in market volatility during 2011.

Referral parties are reimbursed based on the trading volume of our clients referred by them and we have recorded such expenses as commission expenses in our income statement. As such, during periods in which the referred clients' trading activities are not so profitable to us due to low market volatility, if the associated trading volume remains high, we may be required to pay more commission to referral parties despite we are generating lower income from the referred clients. Such situation occurred during the year ended 31 December 2012.

(ii) White label partners

This channel allows other regulated financial institutions to use our trading platform under their own brand to offer retail forex trading services to their clients. Apart from the sales and marketing functions, client accounts would be opened directly with the white label partners who were responsible for the regulatory oversight. The white label partners would be remunerated in the form of commission rebates. This marketing channel was insignificant to our Group during the Track Record Period and our Group has ceased business relationships with all white label partners since September 2012.

The brokerage fees and commission were incurred based on the trading volume of our clients referred by referral parties. The commission charged on the referred clients usually does not exceed US$50 per lot, depending on the type of securities traded by the referred clients. As the commission income and the commission expenses are received from and paid to two different parties under two separate agreements, i.e. (a) commission income is received from the referred clients under the client services agreements between our Group and the referred clients; and (b) commission expenses are paid to referral parties under the commission sharing agreements between our Group and referral parties, we are required to gross up the income and expenses under the current accounting standards. Certain referral parties requested our Group to impose commission charges on the price quoted to our clients referred by them and our Group charges the referred clients commission through our trading platform.

The amount of commission income received from our clients and the amount which was ultimately paid to referral parties as part of their commission during the Track Record Period are as follows:

	For the year ended 31 December	
	2011	**2012**
	HK$' million	*HK$' million*
Commission income received from our clients	14.3	21.4
Commission paid to referral parties	13.9	21.1
Percentage of commission paid to referral parties out of the commission income received from our clients	97.2%	98.6%

The internal control procedures adopted by our Group to ensure the correctness of the commission income received from the referred clients and the commission expenses paid to referral parties includes:

for commission income:

- referral parties informing our Group of the commission rates agreed with the referred clients and our Group will record the same in the client account opening forms;
- settlement staff setting the commission rates in our trading system based on the information stated in the client account opening forms; and
- daily statements being sent to the referred clients showing the commission amounts charged,

for commission expenses:

- commission sharing agreements being entered with referral parties to specify the commission rates;
- the referred clients being separately identifiable in our trading system;
- accounting staff downloading the relevant trading data of the referred clients from our trading system and calculating the commission expenses on monthly basis;
- assistants to dealing manager checking the commission expenses and our head of sales team signing off;
- settlement staff crediting the amount into referral parties' accounts maintained with our Group or making the payment directly to referral parties based on referral parties' payment instructions; and
- accounting staff making corresponding accounting entries into the accounting system.

The commission expenses paid to referral parties and the Japanese white label partner during the Track Record Period are as follows:

	For the year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Commission expenses paid to referral parties	31,758	47,064
Commission expenses paid to the Japanese white label partner *(Note)*	1,719	410
Total	**33,477**	**47,474**

Note: Since September 2012, our Group has ceased business relationships with all white label partners.

Staff costs

Staff costs represent the salaries and allowances, pension costs and other benefits to the employees of our Group. The table below sets forth the staff costs by category during the Track Record Period:

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Salaries and allowances	37,884	28,595
Pension scheme contributions	885	937
	38,769	29,532

Our staff costs represented approximately 25.0% and 24.0% of our total income for the two years ended 31 December 2011 and 31 December 2012, respectively.

The directors' remuneration of our Group was approximately HK$6.1 million and HK$3.8 million for the two years ended 31 December 2011 and 31 December 2012, respectively. The decrease in directors' remuneration of our Group during the year ended 31 December 2012 was mainly due to the decrease in discretionary bonus paid to the directors of our Group from approximately HK$2.2 million for the year ended 31 December 2011 to approximately HK$0.9 million for the year ended 31 December 2012 given the less satisfactory performance of our Group for the year ended 31 December 2012.

Regarding the future remuneration policy of our Group, it is our objective to, in consultation with the remuneration committee of our Company, remunerate directors of our Group fairly but not excessively for their efforts, time and contributions made to our Group and the remuneration of directors of our Group would be determined with reference to various factors such as the duties and level of responsibilities of each director, the available information in respect of companies of comparable business or scale, the performance of each director, our Group's performance during the financial year concerned and the prevailing market conditions.

Depreciation and amortisation

Depreciation represents depreciation charges for property, plant and equipment including, among others, leasehold improvements, computer equipment, furniture, fixtures and equipment and motor vehicles and amortisation for intangible assets of our Group. For the two years ended 31 December 2011 and 31 December 2012, depreciation and amortisation represented approximately 1.7% and 1.9% of the total income of our Group, respectively.

Minimum lease payments under land and buildings

Minimum lease payments under land and building represent the rental expenses paid for the offices of our Group. For the two years ended 31 December 2011 and 31 December 2012, minimum lease payments under land and building accounted for approximately 4.2% and 4.7% of the total income of our Group, respectively, as minimum lease payments remained stable regardless of a significant increase in the level of turnover of our Group.

Administrative and other operating expenses

Our administrative and other operating expenses mainly represent management fees paid to KVB Holdings, other office occupation expenses, information services expenses, marketing, advertising and promotion expenses, professional and consultancy fees and travelling expenses. The following table sets out our administrative and other operating expenses during the Track Record Period:

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Management fees paid to KVB Holdings	2,821	2,543
Management fees paid to fellow subsidiaries	306	82
Other office occupation expenses	1,364	1,541
Auditor's remuneration	1,697	2,865
Information services expenses	2,886	3,690
Professional and consultancy fees (net) *(Note)*	3,391	14,287
Repair and maintenance (including system maintenance)	442	623
Marketing, advertising and promotion expenses	1,857	2,511
Travelling expenses	2,556	2,033
Entertainment expenses	944	1,030
Others	3,970	2,859
	22,234	34,064

Note: *Professional and consultancy fee mainly included accountancy fee, legal fee and sponsor fee which are related to the Listing application. It also included other professional and consultancy expenses related to general operations, such as licence fee, company registration fee and company secretarial fee.*

A total of approximately HK$13.7 million of the Listing expenses was recognised in the Track Record Period. Specifically, approximately HK$1,885,000 and HK$11,782,000 were recognised in the two years ended 31 December 2011 and 31 December 2012, respectively.

For the two years ended 31 December 2011 and 31 December 2012, our Group's total administrative and other operating expenses were approximately 14.3% and 27.6%, respectively, of the total income of our Group.

For the two years ended 31 December 2011 and 31 December 2012, our Group paid management fees of approximately HK$3.1 million and HK$2.6 million, respectively, to KVB Holdings and its subsidiaries for the provision of financial system and website maintenance services, information technology services, reconciliation services, and market promotion and client services representing approximately 2.0% and 2.1%, respectively, of the total income of our Group.

Finance costs

Finance costs mainly represent bank and finance lease charges.

For the two years ended 31 December 2011 and 31 December 2012, our Group incurred finance costs of approximately HK$0.1 million and HK$0.3 million, respectively, represented approximately 0.1% and 0.2% of the total income of our Group.

Income tax expense

Our Group is carrying on business in New Zealand, Australia and Hong Kong. Income tax expense represents the amount of income tax paid or payable by us at the applicable tax rates in accordance with the relevant laws, rules and regulations in the respective jurisdictions. Income tax of New Zealand was 30% of the estimated assessable profit during the year ended 31 December 2011 and 28% of the estimated assessable profit during the year ended 31 December 2012. Income tax rate in Australia and Hong Kong was 30% and 16.5%, respectively, of the estimated assessable profit during the Track Record Period. During the Track Record Period, our Group applied the group tax relief which permitted the sharing of losses between entities within our Group and the Non-listed Group. Such application of group tax relief was approved by the relevant tax authorities. Starting from May 2012, our Group has strictly applied the group tax relief to the entities within our Group and any tax losses arising from entities within our Group will not be elected to offset against the taxable profit arising from the entities within the Non-listed Group.

Reimbursed Listing Expenses

The table below sets out the total income, profit for the year and cash flows from operating activities before working capital changes of our Group adjusted for the net effect of the exclusion of the Listing expenses recognised in our consolidated statements of comprehensive income and the related party transactions as laid down in note 27 to the accountant's report in Appendix I to this prospectus and the inclusion of the Reimbursed Listing Expenses during the Track Record Period. The following table has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the total income, profit for the year and cash flows from operating activities before working capital changes of our Group during the Track Record Period or at any dates after the Listing.

		Year ended 31 December	
		2011	**2012**
	Notes	*HK$'000*	*HK$'000*
Total income		155,242	123,222
Less: Income generated by the related party transactions	*1*	(13,473)	(7,955)
Adjusted total income		141,769	115,267
Profit/(Loss) for the year		35,555	(1,749)
Add: Listing expenses recognised in the income statement		1,885	11,782
Less: Net income effect on related party transactions	*2*	(1,707)	(661)
Less: Net loss effect on the Reimbursed Listing Expenses	*3*	(12,669)	–
Adjusted profit for the year		23,064	9,372
Cash flows from operating activities before working capital changes		50,937	3,168
Add: Listing expenses recognised in the income statement		1,885	11,782
Less: Net income effect on related party transactions	*2*	(1,707)	(661)
Less: Net loss effect on the Reimbursed Listing Expenses	*3*	(12,669)	–
Adjusted cash flows from operating activities before working capital changes		38,446	14,289

Notes:

1. *The income generated by the related party transactions includes management fee income for the provision of group management, information technology, marketing and administration support, interest income, commission income and handling fee income.*

2. *The net income/(loss) effect on the related party transactions includes the income generated by the related party transactions, the corresponding expenses and management fee expenses for the provision of information technology support, financial system and website maintenance services, and marketing promotion and client services. The resultant taxation effect is ignored.*

3. *Due to the passing away of Ms. Tsui, being a key shareholder of KVB Holdings, in October 2011, the Listing process was delayed and was resumed in June 2012. In view of the fact that some of the costs incurred in connection with the Listing prior to the resumption of the Listing process could no longer be utilised and that some of the preparation work in connection with the Listing prior to the resumption of the Listing process could not bring any economic benefit to our Company, a deed was executed between our Company and KVB Holdings on 7 September 2012 under which KVB Holdings has agreed to unconditionally and irrevocably take up or reimburse our Group for the Reimbursed Listing Expenses in relation to the aforesaid preparation work. Our Group intended to request for the Reimbursed Listing Expenses in 2011 after the passing away of Ms. Tsui. However, due to several reasons, including but not limited to, the time spent on negotiating with KVB Holdings and consulting with our legal advisers and other professional parties involved in the Listing, and the time required for the grant of the Letters of Administration, the deed in relation to the Reimbursed Listing Expenses was signed subsequently on 7 September 2012. The services agreements relating to the Reimbursed Listing Expenses were signed between our Group and the professional parties involved in the Listing and invoices were issued to our Group.*

   *In accordance with paragraph 37 of HKAS 32 "Financial Instruments: Presentation", aborted expenses relating to an abandoned equity issue are required to be recognised as an expense in our Group's income statement. According to paragraphs 32 to 35 of HKAS 1 (Revised) "Presentation of Financial Statements" ("**HKAS 1**"), an entity shall not offset assets and liabilities or income and expenses, unless required or permitted by the HKFRSs; and an entity presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising from the same transaction. In respect of the reimbursement of the aborted expenses by KVB Holdings, given such expenses were caused by the passing away of Ms. Tsui and were incurred solely for the benefit of KVB Holdings but not our Company, taking into account paragraphs 106 and 109 of HKAS 1 and paragraph 4.25 of the Conceptual Framework for Financial Reporting 2010 (the "**Conceptual Framework**") issued by the HKICPA, the reimbursement is not considered as a contribution from the equity Shareholders and has been presented net against the aborted expenses to reflect the substance of the transactions. In addition, in accordance with the Conceptual Framework, for financial information to be useful, it must not only represent the relevant phenomena, but it must also faithfully represent the phenomena which it purports to represent. Applying this to our Company, the aborted expenses and reimbursement are presented together to reflect the substance of the transactions.*

   The reporting accountant of our Company issued the accountant's report as set out in Appendix I to this prospectus without qualification of the consolidated financial information for the two years ended 31 December 2011 and 31 December 2012.

   The Reimbursed Listing Expenses are capital in nature and not deductible for profits tax. Our Company has not received any profits tax return since our incorporation and therefore we have not filed any tax return and computation with the Inland Revenue Department of Hong Kong. The reimbursement by KVB Holdings has been presented net against the corresponding expenses in accordance with HKAS 1 to reflect the substance of the transactions.

   Given the Reimbursed Listing Expenses, our Group's profit for the two years ended 31 December 2011 and 31 December 2012 would be effectively increased by approximately HK$12,669,000 and nil, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS OF OUR GROUP'S RESULTS OF OPERATIONS

The following sets forth the management's discussion and analysis of our Group's results of operations during the Track Record Period. The following discussion should be read in conjunction with the consolidated financial information of our Group during the Track Record Period in the accountant's report, the text of which is set out in Appendix I to this prospectus.

Year ended 31 December 2011 compared with year ended 31 December 2012

Total income

Our total income decreased by approximately 20.6% to approximately HK$123.2 million for the year ended 31 December 2012 from approximately HK$155.2 million for the year ended 31 December 2011.

A. Leveraged forex and other trading income

Our leveraged forex and other trading income decreased by approximately 19.1% from approximately HK$107.5 million for the year ended 31 December 2011 to approximately HK$87.0 million for the year ended 31 December 2012. The transacted volume increased by approximately 17.4% to approximately US$77.0 billion for the year ended 31 December 2012 mainly due to the increase in the number of clients from approximately 7,900 as at 31 December 2011 to approximately 11,900 as at 31 December 2012. Notwithstanding the above, the market became stagnant and kept on trading within a narrow range. Given the lower market volatility during the year ended 31 December 2012 as compared to that during the year ended 31 December 2011, our leveraged forex and other trading income decreased despite the increase in trading volume and the segment profit of our margin dealing in New Zealand decreased from approximately HK$51.2 million for the year ended 31 December 2011 to approximately HK$15.1 million for the year ended 31 December 2012.

B. Cash dealing income

Our cash dealing income decreased by approximately 26.1% from approximately HK$12.6 million for the year ended 31 December 2011 to approximately HK$9.3 million for the year ended 31 December 2012. The decrease was mainly attributable to the slowdown of the money changing business of the Non-listed Group as a result of the competitive pricing in 2012.

C. Other income

Our other income decreased by approximately 23.2% to approximately HK$27.0 million for the year ended 31 December 2012 from approximately HK$35.1 million for the year ended 31 December 2011.

Our fees and commission income increased from approximately HK$16.3 million for the year ended 31 December 2011 to approximately HK$22.3 million for the year ended 31 December 2012 due to a significant increase in the number of referred clients from approximately 4,400 as at 31 December 2011 to approximately 8,800 as at 31 December 2012. The major component of fees and commission is the commission charged to the referred clients from leveraged forex and other trading business based on their trading volume. The increase was mainly due to the increase in the number of referred clients and their respective trading volume.

During the year ended 31 December 2012, our Group recorded an exchange loss of approximately HK$5.3 million while there was an exchange gain of approximately HK$3.4 million during the year ended 31 December 2011. This was mainly due to the month-end translation of monetary assets denominated in foreign currency into local reporting currency by KVB NZ with the appreciation of NZD/USD exchange rate from approximately 0.7733 to 0.8222 during the year ended 31 December 2012.

Fees and commission expenses

Our fees and commission expenses increased by approximately 41.0% to approximately HK$48.8 million for the year ended 31 December 2012 from approximately HK$34.6 million for the year ended 31 December 2011. The fees and commission increased significantly mainly due to the increase in trading volume of our clients referred by referral parties.

Our Group had approximately 620 referral parties as at 31 December 2012, whereas approximately 500 referral parties had been newly added during the year ended 31 December 2012. The number of active clients referred by referral parties was approximately 2,100 and 3,400 for the two years ended 31 December 2011 and 31 December 2012, respectively.

Staff costs

Our staff costs decreased by approximately 23.8% to approximately HK$29.5 million for the year ended 31 December 2012 from approximately HK$38.8 million for the year ended 31 December 2011 as a result of the decrease in payment of discretionary staff incentives of approximately HK$9.4 million for the year ended 31 December 2012 as compared with the year ended 31 December 2011 having regard to the performance of our Group and the then market condition.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 11.5% to approximately HK$2.3 million for the year ended 31 December 2012 from approximately HK$2.6 million for the year ended 31 December 2011 as some of the computer equipment and furniture, fixtures and equipment were fully depreciated during the year ended 31 December 2011.

Minimum lease payments under land and buildings

Minimum lease payments under land and building decreased by approximately 10.8% to approximately HK$5.8 million for the year ended 31 December 2012 from approximately HK$6.5 million for the year ended 31 December 2011 as the lease of our New Zealand office was renewed in June 2011 with a reduction in rent.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 53.6% to approximately HK$34.1 million for the year ended 31 December 2012 from approximately HK$22.2 million for the year ended 31 December 2011.

This increase was primarily due to the increase in the Listing expenses of approximately HK$9.9 million during the year ended 31 December 2012 as compared with the year ended 31 December 2011 as a result of the resumption of the Listing process in June 2012.

Finance costs

Our finance costs remained insignificant during the two years ended 31 December 2011 and 31 December 2012.

Income tax expense

Our income tax expense decreased by approximately HK$10.6 million to approximately HK$4.2 million for the year ended 31 December 2012 from approximately HK$14.8 million for the year ended 31 December 2011 due to the decrease in our profit. Our effective tax rates for the two years ended 31 December 2011 and 31 December 2012 were approximately 29.3% and 171.9%, respectively. The significant increase in effective tax rate for the year ended 31 December 2012 was mainly due to the fact that the Listing expenses were non-deductible from the taxable profit.

Net profit and net profit margin

For the reasons set forth above, our Group incurred a loss of approximately HK$1.7 million for the year ended 31 December 2012. Our net profit margin of approximately 22.9% for the year ended 31 December 2011 was changed to our net loss margin of approximately 1.4% for the year ended 31 December 2012. As a summary, such change in the profitability of our Group was primarily contributed by:

(a) lower market volatility resulted in lower leverage forex and other trading income;

(b) increase in commission expenses paid to referral parties as a result of increase in trading volume of the referred clients; and

(c) increase in the Listing expense following the resumption of the Listing process in June 2012.

IMPACT OF LISTING EXPENSES

The financial results of our Group for the year ended 31 December 2012 were affected by the non-recurring Listing expenses. The Listing expenses up to 31 December 2012 were approximately HK$19.1 million, of which approximately HK$5.0 million are directly attributable to the issue of the Placing Shares and are expected to be accounted for as a deduction from equity. The estimated

Listing expenses for the year ending 31 December 2013 are approximately HK$10.8 million, of which approximately HK$3.7 million are directly attributable to the issue of the Placing Shares and are expected to be accounted for as a deduction from equity. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to the consolidated statements of comprehensive income of our Group for the year ending 31 December 2013 is subject to adjustment based on the audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2013 would be materially and adversely affected by the estimated Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

LIQUIDITY AND FINANCIAL RESOURCES

Our principal operating subsidiaries are all licensed entities and are required to comply with local regulatory capital rules. Under these rules, sufficient liquidity and financial resources are required to be maintained to fulfil not only the daily operational needs but also to cover the possible risks to which our licensed subsidiaries expose.

During the two years ended 31 December 2011 and 31 December 2012, the net cash inflow generated by our Group from operating activities before working capital changes decreased by approximately HK$47.8 million to approximately HK$3.2 million for the year ended 31 December 2012. Our Group's cash and cash equivalents amounted to approximately HK$178.1 million and HK$248.7 million as at 31 December 2011 and 31 December 2012, respectively.

CASH FLOWS

The primary uses of cash are to satisfy the working capital needs and the capital expenditure requirements. Since our establishment, the working capital needs and capital expenditure requirements of our Group have been financed through a combination of shareholders' equity and cash generated by operations.

The following table is a condensed summary of the consolidated statements of cash flow of our Group for the two years ended 31 December 2011 and 31 December 2012:

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Net cash flows from operating activities	45,800	30,987
Net cash flows from/(used in) investing activities	299	(1,100)
Net cash flows from/(used in) financing activities	(41,583)	35,973
Net increase in cash and cash equivalent	4,516	65,860
Cash and cash equivalents at beginning of year	176,153	178,052
Effect of forex rate changes, net	(2,617)	4,738
Cash and cash equivalents at end of year	178,052	248,650

Cash flows from/(used in) operating activities

We derive cash inflow from operating activities principally from the receipts for the spread income when our clients trade. Our cash outflow from operations is principally payments of fees and commission expenses to referral parties, staff costs, minimum lease payments, and administrative and other operating expenses.

For the year ended 31 December 2011, we recorded net cash flows from operating activities of approximately HK$45.8 million, which was primarily attributable to our profit before tax of approximately HK$50.3 million and adjusted for net working capital inflow of approximately HK$7.2 million, our interest income of approximately HK$1.9 million, our depreciation and amortisation of approximately HK$2.6 million, our gain on disposal of fixed assets of approximately HK$0.1 million and our income tax paid of approximately HK$12.3 million. During the year ended 31 December 2011, the net working capital inflow was mainly attributable to a net decrease in amounts due from related companies of approximately HK$13.0 million arising from the termination of the subordinated loan in August 2011 and the repayment of the amounts due to fellow subsidiaries and a decrease in other receivables of approximately HK$3.4 million which was partially offset by an increase in client trust bank balances of approximately HK$6.2 million, an increase in balances due from agents of approximately HK$2.7 million, an increase in derivative financial instruments of approximately HK$1.0 million and a decrease in clients' balances of approximately HK$1.4 million.

For the year ended 31 December 2012, we recorded net cash flows from operating activities of approximately HK$31.0 million, which was primarily attributable to our profit before tax of approximately HK$2.4 million and adjusted for net working capital inflow of approximately HK$38.0 million, interest income of approximately HK$1.6 million, depreciation and amortisation of approximately HK$2.3 million and income tax paid of approximately HK$10.2 million. For the year ended 31 December 2012, the net working capital inflow was mainly attributable to a decrease in the amounts due from ultimate holding company of approximately HK$18.4 million as a result of the settlement of reimbursement of the Listing expenses incurred prior to and including the year ended 31 December 2011, a decrease in pledged time deposits of approximately HK$6.3 million, a decrease in client trust bank balances of approximately HK$19.2 million and a net decrease in derivative financial assets of approximately HK$12.7 million, which was partially offset by a decrease in clients' balances of approximately HK$15.5 million, an increase in balances due from agents of approximately HK$3.4 million and an increase in other assets and prepayment of approximately HK$2.3 million.

The net operating cash inflow of our Group reduced by approximately HK$14.8 million to approximately HK$31.0 million for the year ended 31 December 2012 mainly due to the decrease in profit before tax by approximately HK$47.9 million to approximately HK$2.4 million for the year ended 31 December 2012 which was partially offset by the cash inflow arising from a net decrease in the amounts due from ultimate holding company and the derivative financial assets mentioned above.

Cash flows from/(used in) investing activities

We derive cash inflow from our investing activities principally from the interest received. Our cash outflow in investing activities is principally for the purchase of property, plant and equipment and intangible assets, as well as the movement in subordinated loan to a fellow subsidiary.

For the year ended 31 December 2011, we recorded net cash flows from our investing activities of approximately HK$0.3 million, which was primarily attributable to the purchase of property, plant and equipment and intangible assets of approximately HK$4.8 million offset by the interest received of approximately HK$1.9 million and the proceeds of the disposal of plant and equipment of approximately HK$0.1 million and repayment of a subordinated loan to a fellow subsidiary of HK$3.0 million.

For the year ended 31 December 2012, we recorded net cash flows used in our investing activities of approximately HK$1.1 million, which was primarily attributable to the purchase of property, plant and equipment and intangible assets.

The net investing cash flows of our Group changed to an outflow of approximately HK$1.1 million for the year ended 31 December 2012 mainly due to the absence of subordinated loan repayment for the year ended 31 December 2012.

Cash flows from/(used in) financing activities

For the year ended 31 December 2011, we recorded net cash used in our financing activities of approximately HK$41.6 million, which was primarily attributable to the dividend paid of approximately HK$41.5 million.

For the year ended 31 December 2012, we recorded net cash inflow from our financing activities of approximately HK$36.0 million, which was primarily attributable to the proceeds of the issue of Shares to the Pre-Listing Investors of HK$57.0 million which was partially offset by the dividend paid of approximately HK$21.0 million.

As a whole, we derive cash inflow from/(used in) our financing activities principally from the proceeds of the issue of Shares and the dividend paid.

Financial resources

Prior to completion of the Placing, our Group's operations have been financed principally by equity capital and cash generated by our business operations. Our Directors believe that we will continue to fund our current working capital and fulfil the capital expenditure requirement through cash flows from our business operations, the net proceeds of the Placing and the cash and bank deposits. Our Directors believe that on a long term basis, our Group's liquidity will be funded by our business operations and, if necessary, additional equity financing or bank borrowing.

Foreign currency risk

During the year ended 31 December 2012, our Group recorded an exchange loss of approximately HK$5.3 million while there was an exchange gain of approximately HK$3.4 million during the year ended 31 December 2011. This was mainly due to the month-end translation of monetary assets denominated in foreign currency into local reporting currency by KVB NZ with the appreciation of NZD/USD exchange rate from approximately 0.7733 to 0.8222 during the year ended 31 December 2012.

Based on the net asset/liability values in different currencies as at 31 December 2011 and 31 December 2012, the impact on our Group's forex gain/loss in response to the movement in forex rate is summarised below:

Foreign currency risk	Movement in foreign currency	31 December 2011	31 December 2012
AUD	appreciated by/ depreciated by 5%	increased by/ decreased by approximately HK$571,000	increased by/ decreased by approximately HK$978,000
JPY	appreciated by/ depreciated by 5%	increased by/ decreased by approximately HK$29,000	increased by/ decreased by approximately HK$116,000
NZD	appreciated by/ depreciated by 5%	decreased by/ increased by approximately HK$384,000	increased by/ decreased by approximately HK$841,000
USD	appreciated by/ depreciated by 1%	increased by/ decreased by approximately HK$1,625,000	increased by/ decreased by approximately HK$723,000

The foreign currency risk is managed proactively by regular review of the currency positions in a basket of currency mix. In view of the currency positions (other than those incurred in the ordinary course of business on a daily basis), our Group entered into leveraged forex and derivative financial investments to manage the risks exposed to fluctuation in foreign currency positions during the Track Record Period. In order to minimise our risk exposure, our Group will either hedge our positions by natural hedge strategy or market maker hedge strategy under different circumstances. If trades cannot be perfectly matched under the natural hedge and the net positions exceed the daily/shift loss limit, our dealers will undertake the market maker hedge.

CAPITAL STRUCTURE

The capital structure of our Group consists of cash and cash equivalents and equity attributable to owners of our Company, comprising issued share capital and reserves.

CAPITAL EXPENDITURE

Our Group's capital expenditure for the two years ended 31 December 2011 and 31 December 2012 remained insignificant and principally consisted of expenditure on furniture, fixtures and equipment, computer equipment, leasehold improvements and motor vehicles in the aggregate amount of approximately HK$4.9 million and HK$2.5 million, respectively. We have funded our historical capital expenditures through cash flows from our business operations and cash and bank deposits.

NET CURRENT ASSETS

The following table sets out details of our Group's current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 30 April
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Current assets			
Tax prepayments	–	1,742	–
Other assets and prepayments	6,415	8,662	11,511
Amounts due from ultimate holding company	14,668	–	–
Amounts due from fellow subsidiaries	3,447	201	647
Derivative financial instruments	46,259	36,571	33,389
Balances due from agents	10,626	14,037	19,343
Cash and bank balances	218,322	268,441	287,154
Client trust bank balances	90,929	71,691	95,394
Total current assets	390,666	401,345	447,438
Current liabilities			
Finance lease obligations	128	151	117
Current income tax liabilities	4,629	328	3,865
Other payables and accrued liabilities	22,402	15,247	14,086
Amounts due to fellow subsidiaries	1,129	698	1,147
Amounts due to ultimate holding company	–	3,683	1,114
Derivative financial instruments	4,181	7,178	14,244
Clients' balances	163,095	147,590	169,940
Balances due to banks	14,172	–	–
Total current liabilities	209,736	174,875	204,513
Net current assets	180,930	226,470	242,925

As at 30 April 2013, our Group had unaudited net current assets of approximately HK$242.9 million which represented an increase of approximately HK$16.4 million compared with that as at 31 December 2012. The increase was mainly due to the increase in clients' balances of approximately HK$22.4 million, the increase in client trust bank balances of approximately HK$23.7 million and the increase in bank balances of approximately HK$18.7 million. The increase in clients' balances and client trust bank balances were in line with the fact that the outstanding open margin forex positions of our clients increased as at 30 April 2013. The size of the outstanding positions of our clients was driven by their commercial decisions as at the corresponding period end date. The increase in bank balances was mainly due to the cash inflow from operating activities before working capital changes of approximately HK$18.5 million for the four months ended 30 April 2013.

As at 31 December 2012, our Group had net current assets of approximately HK$226.5 million. The components of our Group's current assets as at such date included cash and bank balances and client trust bank balances of approximately HK$340.1 million, derivative financial instruments of approximately HK$36.6 million, amounts due from our fellow subsidiaries of approximately HK$0.2 million and other current assets of approximately HK$24.4 million. The components of our Group's current liabilities included clients' balances of approximately HK$147.6 million, derivative financial liabilities of approximately HK$7.2 million, amounts due to ultimate holding company and fellow subsidiaries of approximately HK$4.4 million and other current liabilities of approximately HK$15.7 million.

Other assets and prepayments

Our other assets and prepayments mainly consist of rental and utility receivables and prepayments. The following table sets out details of our other assets and prepayments as at the dates indicated:

	As at 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Rental, utility and other receivables	3,426	3,052
Prepayments	2,886	5,566
Others	103	44
	6,415	8,662

Prepayment mainly included (a) the capitalisation of the Listing expenses in relation to the professional services provided to our Group during the Track Record Period which will be offset against the proceeds of the Placing; and (b) prepayment for renovation and other general expenses. As at 31 December 2011 and 31 December 2012, the prepaid Listing expenses amounted to approximately HK$2.4 million and HK$5.0 million, respectively. The prepaid Listing expenses we paid for the services rendered by the professional parties involved in the Listing during the Track Record Period were considered to be related to the issue of new Shares and would be offset against the proceeds of the Placing upon the Listing. Therefore, the prepaid Listing expenses were recognised in the prepayment account.

As at 31 December 2012, our other assets and prepayments increased by approximately HK$2.3 million to approximately HK$8.7 million mainly due to the capitalisation of the Listing expenses.

Amounts due from/to ultimate holding company and fellow subsidiaries

As at 31 December 2011, there were net amounts due from ultimate holding company and fellow subsidiaries of approximately HK$17.0 million. Due to the reimbursement of the Listing expenses by our ultimate holding company in cash in 2012, there were net amounts due to ultimate holding company and fellow subsidiaries of approximately HK$4.2 million. As at 30 April 2013, save for the amounts due to ultimate holding company of approximately HK$1.1 million, the outstanding amounts due from/to ultimate holding company and fellow subsidiaries were related to the Shared Services (as defined in the paragraph headed "Non-exempt continuing connected transactions" in the section headed "Connected Transactions" in this prospectus). The amounts due to ultimate holding company, being the non-trade balances, of approximately HK$1.1 million will be fully settled prior to the Listing.

Derivative financial instruments and financial assets at fair value through profit or loss

The following table sets out the breakdown of derivative financial instruments and financial assets at fair value through profit or loss of our Group as at the dates indicated:

	As at 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Current assets		
Derivative forex contracts	46,259	36,571
Current liabilities		
Derivative forex contracts	(4,181)	(7,178)
	42,078	29,393

Our Group has traded in foreign currencies through our foreign currency margin trading business. In order to protect against exchange rate movements, our Group has entered into a number of forex and forward transactions with banks to manage our net foreign currency exposure. The notional principal amounts of the outstanding forward forex contracts as at 31 December 2011 and 31 December 2012 were approximately HK$2,161 million and HK$1,892 million, respectively. The derivative financial assets and liabilities are the mark-to-market value of the forex contracts in various currency pairs as at the balance sheet date. All these forex contracts are entered into in our ordinary course of business. The assets side represents the unrealised profit while the liabilities side represents the unrealised loss. The fluctuation of these two components mainly depends on two factors, the first is the size of our outstanding positions of forex contracts and the second is the market prices of the forex contracts. As at 31 December 2012, there was a net decrease in the net derivative financial assets of approximately HK$12.7 million when compared to that as at 31 December 2011. Such fluctuation was mainly due to the decrease in outstanding positions as at 31 December 2012.

A forex contract involves exchange of currency pairs with counterparties which can net-off each other at the time of entering into the forex contract. For example, if our Group buys 5 EUR against USD contracts at 1.2352 from a client, the client has the obligation to receive US$617,600 from our Group and the client has the obligation to give EUR500,000 to our Group on the value date. Such rates which each party is willing to exchange the currencies are regarded as the market rates at the point of contract inception. As such, from the perspectives of our Group and the client, no expected future economic benefits are expected to flow into our Group or the clients at the time of entering into the forex contract. Therefore, the market value of such forex contract at the time of inception is considered to be zero. When the exchange rate fluctuates such that the currency rate changes to 1.2354, EUR500,000 now requires US$617,700 to settle. Therefore, our Group will incur a loss of US$100 which is recorded as derivative liabilities after such change in the exchange rate.

The derivative forex contracts do not meet the criteria for offsetting pursuant to paragraph 42 of HKAS 32 "Financial Instruments: Presentation" which states that:

"A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

Since the derivative forex contracts with our clients and the banks were entered into separately by our Group without any legally enforceable right to set off against each other, they do not meet the above criteria for offsetting in accordance with HKAS 32. Accordingly, the derivative forex contracts were accounted for as current asset and current liabilities on gross basis.

Balances due from agents

Balances due from agents arise when (a) the executing brokers pay commission rebates to our Group; (b) our Group places margin deposits with the executing brokers when we enter into commodity hedging positions with the executing brokers; and (c) our Group places funds with executing brokers to facilitate the trading of our clients with the executing brokers.

We refer our clients interested in trading securities to executing brokers. In return, the executing brokers rebate a portion of their commission earned from our clients to our Group. Such commission rebates from the executing brokers are classified as the securities trading referral commission in our profit and loss account. When the executing brokers pay the commission rebates to us, they can either deposit cash into our bank account or credit such amount into the accounts we maintain with them. We are free to withdraw our funds from the accounts maintained with them at any time. The accounting entries of recognising the securities trading referral commission are as follows:

Debit Balances due from agents (or cash and bank balances)

Credit Securities trading referral commission

The fluctuation of balances due from agents was mainly due to the fluctuation of hedge transactions of our Group in response to the commodity trading activities initiated by our clients. Our clients' activities fluctuate due to their respective commercial needs as at the period end.

Balances due from agents increased from approximately HK$10.6 million as at 31 December 2011 to approximately HK$14.0 million as at 31 December 2012.

Client trust bank balances

Our Group maintains segregated bank accounts with authorised banks and financial institutions to separate our clients' monies from our own funds. Our clients' activities fluctuate due to their respective commercial needs as at the period end. Client trust bank balances decreased from approximately HK$90.9 million as at 31 December 2011 to approximately HK$71.7 million as at 31 December 2012.

Clients' balances

Clients' balances mainly represent the margin deposits from our clients and the realised profit or loss arising from their trading positions. Clients' balances may not equal to client trust bank balances under the Futures Industry (Client Funds) Regulations 1990 of New Zealand, where clients' balances with the authorisation from the client account holder can be deposited into non-client designated accounts by signing an "acknowledgement by client in respect of overseas persons" (the "**Acknowledgemen**t") and such amount is included in the cash and bank balances of our Group. Client trust bank balances fluctuate as clients' activities fluctuate at different period end. Our clients' activities fluctuate due to their respective commercial needs as at the period end. As at 31 December 2011 and 31 December 2012, the clients' balances amounted to approximately HK$163.1 million and HK$147.6 million, respectively. As at 31 December 2011 and 31 December 2012, the clients' balances included in the cash and bank balances of our Group amounted to approximately HK$72.2 million and HK$75.9 million, respectively.

Our clients are free to choose whether to sign the Acknowledgement. For clients' balances included in the cash and bank balances of our Group, the clients concerned have already authorised us by signing the Acknowledgement. Our Group could freely use those non-segregated clients' balances under the relevant laws, rules and regulations. Compliance with these laws, rules and regulations will be subject to review by external auditors on a half-yearly basis and compliance reports are required to be submitted to the FMA.

Other payables and accrued liabilities

Our other payables and accrued liabilities mainly represent the accrued rental benefit, employee entitlements, temporary deposits from our clients, reinstatement cost and margin withheld for trading.

The following table sets out details of our other payables and accrued liabilities as at the dates indicated:

	As at 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Accrued rental benefit	1,356	1,002
Accruals	2,144	5,612
Commission payable	5,252	3,139
Employee entitlements	6,211	512
Temporary deposits from clients	–	413
Reinstatement cost	42	–
Dividend payable	7,000	–
Other payables	397	4,569
	22,402	15,247

Temporary deposits from clients are unknown deposits received from our clients the identities of which are yet to be ascertained. Sometimes, our clients deposit funds into the client's margin segregated account prior to notifying our staff. Nevertheless, our Group performs daily bank reconciliation to ensure that all funds in and out of the client's margin segregated account are properly recorded. Any discrepancies are investigated in accordance with our strict anti-money laundering and counter-terrorist financing policies. As such, pending completion of the investigation, any such unknown deposits will be treated as temporary deposits from clients. Temporary deposits only arise in Hong Kong due to the time difference between New Zealand and Hong Kong. Our clients' funds deposited into the client's margin segregated account of KVB HK are related to the operations of KVB NZ. In some cases, unknown funds were deposited by our clients outside the office hours of KVB NZ but during the office hours of KVB HK and the identities of our clients who deposited such unknown deposits were identified after KVB HK communicating with KVB NZ on the next business day, which means that in general, temporary deposits from clients exist on the books and records of our Group for one business day. Once the client who made such deposit is identified, the temporary deposit will be reclassified as client's balance as appropriate. Such accounting entry was only necessary when it came to preparing our accounts at a particular date and when there were such unknown deposits in the client's margin segregated accounts pending completion of the investigation. As such, our Directors do not consider the existence of temporary deposits from clients indicates any weakness in our monitoring of the cash flows from our clients. As at 31 December 2011, we did not record any such unknown deposit in the client's margin segregated account and therefore the amount was nil as at that date. Our Directors have confirmed that our Group has carried out procedures for verifying the identities of our clients when entering into new client relationships or when conducting occasional transactions involving transfer of large sum of cash. On this basis, as advised by the legal advisers to our Company as to Hong Kong law, the receipt of temporary deposits as described above complies with the relevant laws, rules and regulations in Hong Kong. Given that our Group performs daily bank reconciliation to ensure the proper recording of all funds in and out of the client's margin segregated account and having considered the view of the legal advisers to our Company as to New Zealand law, Australian law and Hong Kong law that our Group complied with all the relevant laws, rules and regulations in conducting our business in all material respects during the Track Record Period, the Sponsor is of the view that there is no material deficiency in the internal control procedures of our Group in relation to the receipt of temporary deposits during the Track Record Period.

Our other payables and accrued liabilities decreased by approximately HK$7.2 million to approximately HK$15.2 million as at 31 December 2012 mainly due to the reduction of dividend payable and employee entitlements as at 31 December 2012.

Balances due to banks

To meet our Group's funding requirements in different currencies, our dealers engage in currency swaps with banks at each day end so as to cover all applicable currency positions for settlements of ongoing obligations. Balances due to banks represent the short position of particular currencies with banks under swap. Swap cost is charged by banks for the use of financing under swaps. However, the overall balances maintained with banks must still be positive. The change in balances due to banks reflects the incidental change of swap positions at the respective day ends. Balances due to banks were nil as at 31 December 2012 since there were no outstanding currency swaps payable to banks as at that date.

MATERIAL ACQUISITIONS AND DISPOSALS

During the two years ended 31 December 2011 and 31 December 2012, our Group did not have any material acquisitions and disposals. Details of the transfer of money changing business are set out in the section headed "History and Reorganisation" in this prospectus.

CHARGES ON GROUP ASSETS

As at 31 December 2011, 31 December 2012 and 30 April 2013 (being the date for determining our Group's indebtedness), certain bank balances of our Group amounting to approximately HK$26.1 million, HK$19.8 million and HK$14.4 million, respectively, were used to secure the banking facilities granted to our Group. The secured deposits are mainly used as guarantee for the issue of corporate credit cards for our staff and security for the grant of cash dealing lines for operation by our dealers and overdraft facility for short term cash management purpose. In January 2012, the facility for the corporate credit cards had been cancelled and the relevant deposits used as guarantee had been released. The amount of deposits used to guarantee the issue of corporate credit cards for our staff was HK$1.0 million. The purpose of issuing the corporate credit cards was for business related expenses of our staff. The reason for cancelling the corporate credit cards in January 2012 was due to the low usage rate by our staff.

KEY FINANCIAL RATIOS ANALYSIS

The table below is a summary of the key financial ratios of our Group during the Track Record Period:

	Notes	Year ended 31 December 2011	2012
Net profit margin before interest and tax	*1*	32.5%	2.2%
Net profit/(loss) margin	*2*	22.9%	(1.4)%
Return/(Loss) on equity	*3*	18.3%	(0.8)%
Return/(Loss) on total assets	*4*	8.1%	(0.4)%

	Notes	As at 31 December 2011	2012
Current ratio	*5*	1.9	2.3
Gearing ratio	*6*	8.4%	2.0%

Notes:

1. *Net profit margin before interest and tax represents net profit before interest and taxes divided by total income.*

2. *Net profit margin represents net profit for the year divided by total income.*

3. *Return on equity represents profit for the year divided by average total equity.*

4. *Return on total assets represents profit for the year divided by average total assets.*

5. *Current ratio represents current assets divided by current liabilities.*

6. *Gearing ratio represents total debts (being payables incurred not in the ordinary course of business) divided by total equity.*

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 32.5% for the year ended 31 December 2011 to approximately 2.2% for the year ended 31 December 2012 mainly due to the increase in fees and commission expenses to income ratio as a result of the lower market volatility during that year as compared to that during the year ended 31 December 2011 together with the additional Listing expenses and the exchange loss incurred for the year ended 31 December 2012.

Net profit/(loss) margin

Our net profit margin decreased from approximately 22.9% for the year ended 31 December 2011 to a net loss margin of approximately 1.4% for the year ended 31 December 2012 mainly due to the reasons similar to our net profit margin before interest and tax as described above.

Return/(Loss) on equity

The return on equity of our Group decreased from approximately 18.3% for the year ended 31 December 2011 to a loss on equity of approximately 0.8% for the year ended 31 December 2012 as a result of the net loss of approximately HK$1.7 million incurred for the year ended 31 December 2012.

Return/(Loss) on total assets

Due to the similar reasons mentioned above, the return on total assets of our Group decreased from approximately 8.1% for the year ended 31 December 2011 to a loss on total assets of approximately 0.4% for the year ended 31 December 2012.

Current ratio

The current ratio of our Group remained stable at approximately 1.9 and 2.3 as at 31 December 2011 and 31 December 2012, respectively. The high liquidity of our Group was mainly attributable to the high level of cash and bank balances.

Our Group's high current ratio during the Track Record Period was due to:

(a) there had been no borrowing from external parties while our Group had not financed our clients;

(b) all our operating subsidiaries were regulated entities which were required to comply with the local regulatory capital requirements. Under such requirements, additional buffer was required to build in the capital to cover the potential risks encountered by such operating subsidiaries; and

(c) the Pre-Listing Investors injected HK$57.0 million into our Company in May 2012.

Gearing ratio

The gearing ratio of our Group was approximately 8.4% and 2.0% as at 31 December 2011 and 31 December 2012, respectively. The change in gearing ratio at the year ends was due to the changes in the amounts due to ultimate holding company/fellow subsidiaries and the balances due to banks. The change in balances due to banks reflects the incidental change of swap positions at the respective day ends. Balances due to banks were nil as at 31 December 2012 since there were no outstanding currency swaps payable to banks as at that date.

INDEBTEDNESS

The following table sets forth our Group's indebtedness:

	As at 31 December		As at 30 April
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Balances due to banks	14,172	–	–
Finance lease obligation	428	348	317
Amounts due to ultimate holding company/ fellow subsidiaries	1,129	4,381	2,261
	15,729	4,729	2,578

As at 30 April 2013, being the date for determining our Group's indebtedness, we had a total indebtedness of approximately HK$2.6 million. Our Group had unutilised bank overdraft facility of HK$9.0 million as at 30 April 2013.

The amounts due to ultimate holding company and fellow subsidiaries are unsecured, non-interest bearing and repayable on demand, which will be fully settled prior to the Listing.

CONTINGENT LIABILITIES

In 2010, our Group provided a subordinated loan facility to KVB Securities, a wholly owned subsidiary of KVB Holdings, to the extent of HK$11 million for the provision of liquid capital to KVB Securities with a term of five years after 23 April 2010, being the date of the subordinated loan agreement. Such subordinated loan had been fully repaid and the relevant subordinated loan agreement was terminated in August 2011. Our Group has no present intention to enter into similar loan going forward.

Other than the above, as at 31 December 2011, 31 December 2012 and 30 April 2013, our Group did not have any material contingent liabilities.

Except as described above, as at 30 April 2013, being the date for determining our Group's indebtedness, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that save as disclosed above, there has been no material adverse change in indebtedness and contingent liabilities since 30 April 2013, being the date for determining our Group's indebtedness.

COMMITMENTS

Capital commitments

	As at 31 December		As at 30 April
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Capital commitments in respect of computer software	2,198	915	915

Operating lease commitments

Our Group leases offices under non-cancellable operating lease commitments existing at the end of each of the relevant periods. Leases were negotiated for an average term of 3 to 6 years.

Our Group is required to give six months notice for termination of these leases.

	As at 31 December		As at 30 April
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Within one year	14,357	15,207	15,298
One to five years	32,787	22,208	17,390
Over five years	509	–	–
	47,653	37,415	32,688

Credit commitments

In 2010, our Group provided a subordinated loan facility to KVB Securities to the extent of HK$11 million or the net asset value of KVB Securities, whichever is lower. With the consent of the SFC, the subordinated loan facility was fully settled in August 2011.

WORKING CAPITAL

Our Directors are of the opinion that after taking into account the cash flows from operating activities and the existing financial resources available to our Group, including internally generated funds, the available banking facility and the estimated net proceeds of the Placing, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

The table below sets forth the details of the related party transactions as laid down in note 27 to the accountant's report in Appendix I to this prospectus.

	Year ended 31 December 2011	Year ended 31 December 2012	Business nature of the related party	Whether to continue after the Listing
	HK$'000	*HK$'000*		
Management fee income for the provision of group management, information technology, marketing and administration support from:				
KVB FX	4,329	2,657	Provision of money changing services	Yes
KVB FX Pty	7,304	4,868	Provision of money changing services	Yes
KVB CA	768	391	Provision of money changing services	No
KVB Securities	201	–	Provision of securities brokerage services	No
KVB AM (HK)	201	–	Provision of asset management services	No
	12,803	7,916		
Interest income on advances to:				
KVB Securities	56	–	Provision of securities brokerage services	No
KVB FX	–	–	Provision of money changing services	No
	56	–		
Commission income shared from:				
KVB Securities	370	39	Provision of securities brokerage services	No
	370	39		

	Year ended 31 December 2011 HK$'000	2012 HK$'000	Business nature of the related party	Whether to continue after the Listing
Handling fee income from:				
KVB FX	244	–	Provision of money changing services	No
	244	–		
Management fee expenses for the provision of information technology support, financial system and website maintenance services, marketing promotion, client services and reconciliation to:				
KVB Holdings	2,821	2,543	Investment holding	Yes
KVB FX Pty	164	82	Provision of money changing services	No
KVB FX	142	–	Provision of money changing services	No
	306	82		
Expenses recharged to:				
KVB Holdings	12,669	–	Investment holding	No

Our Directors are of the view that each of the related party transactions above was on normal commercial terms and on an arm's length basis between the relevant parties.

OFF BALANCE SHEET TRANSACTIONS

Our Group did not enter into any material off balance sheet transactions or arrangements during the Track Record Period.

DIVIDEND AND DIVIDEND POLICY

For the two years ended 31 December 2011 and 31 December 2012, our subsidiaries declared dividends of approximately HK$30.3 million and HK$14.0 million to their then respective shareholders, respectively. The dividend declared during the Track Record Period had been fully settled in cash as at the Latest Practicable Date.

Save for the above, our Company or our subsidiaries did not declare nor pay any dividends to the then shareholders during the Track Record Period.

On 21 May 2013 and 3 June 2013, our Company declared special dividends in the aggregate amount of HK$16 million, HK$10 million of which had been settled in cash as at the Latest Practicable Date and the remaining had been settled in cash as at the date of this prospectus.

After completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Directors. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on, among others, our Group's earnings, financial condition, cash requirements and availability, and other factors as our Directors may deem relevant. Our Directors currently have no intended dividend payment ratio for the year ending 31 December 2013. Because such factors and the payment of dividends are at the discretion of our Board which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend policy.

PROPERTY INTERESTS

As at the Latest Practicable Date, our Group leased a total of five premises in New Zealand, Australia, Hong Kong and Beijing from Independent Third Parties as our offices.

Please refer to the paragraph headed "Property interest" in the section headed "Business" in this prospectus for further details of our leased properties.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Placing on the net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2012 as if the Placing had taken place on 31 December 2012.

Because of its hypothetical nature, this unaudited pro forma statement of adjusted net tangible assets may not give a true picture of the consolidated net tangible assets of our Group as at 31 December 2012 or at any future dates following the Placing. It is prepared based on the consolidated net assets of our Group as at 31 December 2012 as set out in the accountant's report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited consolidated net tangible assets attributable to the equity holders of our Company as at 31 December 2012 *(Note 1)*	Estimated net proceeds of the Placing *(Note 2)*	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share *(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on the Placing Price of HK$0.452 per Placing Share	232,423	139,008	371,431	0.186

Notes:

1. *The audited consolidated net tangible assets attributable to the equity holders of our Company as at 31 December 2012 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as at 31 December 2012 of approximately HK$232,752,000 with an adjustment for the intangible assets as at 31 December 2012 of approximately HK$329,000.*

2. *The estimated net proceeds of the Placing are based on the indicative Placing Price of HK$0.452 per Placing Share after deduction of the Placing fees and other related expenses payable by our Company.*

3. *The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,000,000,000 Shares were in issue assuming that the Capitalisation Issue and the Placing were completed on 31 December 2012 but taking no account of any Share which may be allotted and issued or repurchased by our Company pursuant to the paragraphs headed "General mandate to issue Shares" and "General mandate to repurchase Shares" in the section headed "Share Capital" in this prospectus.*

4. *No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2012.*

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT RISKS

(a) Market risk

(i) Interest rate risk

Interest rate risk arises from movements in interest rates and mismatch of fixed and floating rates between funding and investing activities. Our Group is exposed to material interest rate risk as our Group invests all surplus funds in call accounts with reputable banks and is susceptible to movements in call interest rates. Interest rate risk arises from unexpected changes in interest rates which may result in an adverse impact on our Group's current and near future performance. Our Group has not used any interest rate swaps nor forward interest rate contracts to hedge our exposure to interest rate risk.

(ii) Forex risk

Exchange rate fluctuation is the most significant risk in leveraged forex trading. Our Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our Group is exposed to forex risk arising from various currency exposures, primarily with respect to NZD and AUD. Our Group will suffer loss if we fail to cover a client deal at a better exchange rate. Our Group monitors forex exposure by reviewing the open positions of our Group and client trading performance. The risk is measured by the use of sensitivity analysis and cash flow forecasting. Dealing limits are in place for monitoring positions, thus controlling our market risk exposure. To avoid taking excessive forex risk, our dealers are not allowed to hold a net position greater than the pre-approved number of lots for all currency pairs in different dealing books. After the dealing limit is reached, our dealers are required to enter into hedge transactions and not to hold any further open positions. Market risk is also mitigated by our dealing rooms having a daily/shift loss limit. Once the loss limit is reached, the chief executive officer of our Company, namely Mr. Liu Stefan, will be reported to for appropriate action. Our risk and compliance department closely monitors the dealing room profit or loss and positions on a daily basis. Dealing limit of daily loss and/or year-to-date loss, and position limits are reviewed by our risk and compliance department and our management.

Based on the net asset/liability values in different currencies as at 31 December 2011 and 31 December 2012, the impact on our Group's forex gain/loss in response to the movement in forex rate is summarised below:

Foreign currency risk	**Movement in foreign currency**	**31 December 2011**	**2012**
AUD	appreciated by/ depreciated by 5%	increased by/ decreased by approximately HK$571,000	increased by/ decreased by approximately HK$978,000
JPY	appreciated by/ depreciated by 5%	increased by/ decreased by approximately HK$29,000	increased by/ decreased by approximately HK$116,000
NZD	appreciated by/ depreciated by 5%	decreased by/ increased by approximately HK$384,000	increased by/ decreased by approximately HK$841,000
USD	appreciated by/ depreciated by 1%	increased by/ decreased by approximately HK$1,625,000	increased by/ decreased by approximately HK$723,000

Our management considers the foreign currency risk of other currencies as insignificant as the majority of our operations and transactions are in NZD and AUD.

(b) Credit risk

Credit risk refers to the risk which market maker defaults on its contractual obligations resulting in financial loss to our Group. Our Group is exposed to credit risk from accounts receivable from clients and market makers, bank balances and other assets and receivables. After evaluating our clients' risk profiles, our Group will set stop-out level for our clients. Once our clients' equity drops to the stop-out level, our Group's system will automatically liquidate our clients' positions. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk is the carrying amount of these assets.

Our Group's bank deposits are held with banks and balances due from agents are held with major financial institutions and our management reviews the creditworthiness of the banks and financial institutions on a regular basis. The banks and financial institutions are of high credit quality and substantially with a rating of grade A or with long established relationships. The credit risk associated with these balances is deemed insignificant.

Our Group is also subject to credit risk relating to other assets and receivables from our ultimate holding company and fellow subsidiaries. The credit risk relating to our other assets and receivables from our ultimate holding company and fellow subsidiaries is treated as any other receivables in the normal course of business. The utilisation of credit limits has been closely monitored on a daily basis, taking into account the financial position and past experience. Our Group has not experienced any losses from non-performance by our ultimate holding company and fellow subsidiaries. The credit risk associated with these balances is considered to be low.

Mr. Ng Chee Hung Frederick, being one of our executive Directors, and Mr. Qiu Bin, being our chief dealer, are responsible for monitoring and making decisions for the hedging process.

(c) Liquidity risk

Our Group's operations are subject to various statutory liquidity requirements as prescribed by the authorities. Our Group has put in place monitoring system to ensure that we maintain adequate liquid capital to fund our business commitments and to comply with the regulatory requirements. The liquidity risk of our Group is managed by regularly monitoring current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and current working capital to meet our liquidity requirements in the short and longer term. Our Group holds sufficient cash and deposits on demand to repay our liabilities.

DISTRIBUTABLE RESERVES

As at 31 December 2012, our Group had share premium of HK$56.9 million and no retained earnings available for distribution to our Shareholders.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, save as disclosed above, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2012, being the date on which the latest audited financial statements of our Group were made up.