

SINO-RICH SECURITIES & FUTURES LIMITED

Services proposal: special internal control review

April 2021

Board of Directors
Sino-Rich Securities & Futures Limited
(by email)

19 April 2021

Dear Sirs

Thank you for inviting us to submit our service proposal covering a special review on certain aspect of the internal control system of your Company.

Our team is experienced, practical and approachable. We will work to understand the value drivers of the business and deliver recommendations in the context of our Review. The team of this assignment will comprise of risk professionals with significant experience in undertaking the assignments of this nature.

Our approach will be interactive. We will discuss issues with you as they arise and will act as a critical sounding board and, most importantly, we will use our experience to deliver clear well thought through comments.

We are very enthusiastic about this opportunity to work with you in the near future. If you have any queries regarding the contents of this document please do not hesitate to contact me at +852 2218 8266.

Yours faithfully

Ricky Cheng
Director and Head of Risk Advisory
For and on behalf of BDO Risk Advisory Services Limited



CONTENT

01 ABOUT BDO	04
02 EXECUTIVE SUMMARY	12
03 OUR UNDERSTANDING OF YOUR NEEDS	14
04 OUR APPROACH	18
05 DETAILED SCOPE OF WORK	22
06 OUR PROPOSED TIMELINE AND DELIVERABLES	28
07 OUR PROPOSED FEE	32
08 OUR CREDENTIALS	35
09 YOUR BDO ENGAGEMENT TEAM PROFILE	41

A close-up of a hand holding a glowing lightbulb, symbolizing an idea or innovation. The background is a blurred office setting with warm lighting.

01

ABOUT BDO

ABOUT INTERNATIONAL BDO NETWORK

5

BDO is the world's fifth largest accountancy network

1,658

More than 1,600 offices

91,000

Over 91,000 employees worldwide

167

Present in more than 160 countries

US\$10.3bn

Total annual worldwide revenues of over US\$10bn

Strong personal relationships throughout the network facilitate cross-border transactions

A regular flow of trans-national work and communications

BDO International Limited was founded in Europe in 1963

BDO global coordination is based in Brussels



BDO Hong Kong profile

- Largest accountancy firm focuses on the mid-market in Hong Kong.
- 60 directors working with 1,100 staff.
- The fastest growing accountancy firm in Hong Kong over the past four years.
- Full range of business services required for international clients.
- Plays a significant role in Asia Pacific for the international BDO network.

BDO IN CHINA

A major firm delivering local services

10,000+

More than 6,000 partners and staff

30+

More than 30 offices across the country

3

Third largest accountancy firm in China

Full suite of assurance, tax and specialist advisory service offerings across China

Performs many joint services with BDO Hong Kong for clients with cross-border operations

BDO China profile

- Largest firm of accountants focused on the mid-market in China.
- Over 10,000 partners and staff.
- Full range of business services required for international clients.
- Licensed to conduct and provide audit opinion on H-share companies.



BDO RISK ADVISORY SERVICES

SERVICES AT A GLANCE

Pre-IPO internal control due diligence

Undertake internal controls due diligence review as required by Practice Note 21 of the HKEx Listing Rules.

Corporate governance and compliance

Establish/review the corporate governance frameworks.

Enterprise Risk Management

Assist in conducting risk assessment and facilitate a risk management framework.

Internal control advisory services

Assist organisations to comply with the requirements of internal controls for US-listed and/or HK-listed companies.

Internal audit co-sourcing/outsourcing

Co-source or outsource internal audit function according to specific needs of audit committees.

ESG reporting

Advise and assist the listed companies to establish environment, social and governance (ESG) framework and prepare the ESG disclosure in annual report.

Policy & procedures manuals

Develop or enhance policy and procedural manuals, improving the internal controls over existing operations.

Cybersecurity

Provide cybersecurity readiness related services such as cyber health check, cyber security maturity assessment, vulnerability scanning, penetration test, etc.

IT assessment/ compliance audit

Evaluate the adequacy of IT security, including the layers of application, operation system, database, network and physical.

Anti-money laundering support

Evaluate and recommend best practices on AML and CFTs, perform compliance audit and awareness training

OUR KNOWLEDGE AND COMPETENCE

Survey/forum/training

Every year, BDO Hong Kong RAS regularly launches a series of events to share our knowledge and findings with our contacts and clients, namely:

- Co-organising directors' training series with The Chamber of Hong Kong Listed Companies
- ESG reporting survey results
- Annual ESG Awards (our flagship event of the year)

We received positive feedbacks and supports from our contacts which motivate us to repeat the same and make it value-added events for industry practitioners.



OUR KNOWLEDGE AND COMPETENCE

Publications

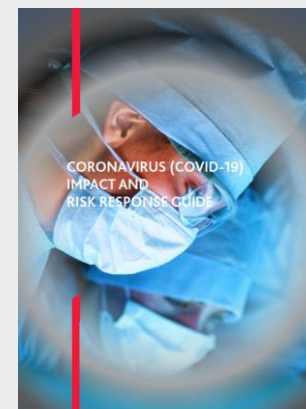
Our team will share insights with your Company and keep you abreast of the latest development and change in the corporate governance, risk management, information technology, etc.



2020 BDO Global Risk Landscape Report



BDO Survey: Rethink and Innovate
How listed companies respond to COVID-19 challenges



COVID Impact and response guide



BDO News: ESG Updates (Every 2 months)



BDO News: Financial Services Sector Updates (Every 2 months)

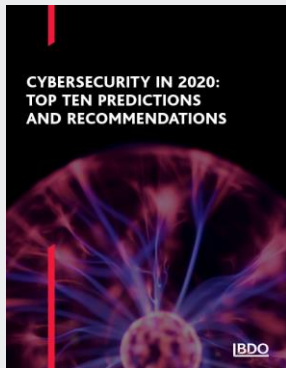


BDO News: Technology Updates (Every 2 months)

OUR KNOWLEDGE AND COMPETENCE

Publications

Within BDO network, we have a wealth of knowledge and expertise in technology covering cybersecurity, digitalisation, transformation, data analytics, etc.



Cybersecurity in 2020: Top-Ten predictions and recommendations



BDO cybersecurity shield



Email and Network attack detection and monitoring



BDO Cyber Threat Insights in the Retail and Consumer Products Industry



BDO CFO Outlook Survey: Technology innovation with intent



BDO Cyber Threats Insight

OUR TOOLS ON INDUSTRY-SPECIFIC MODEL

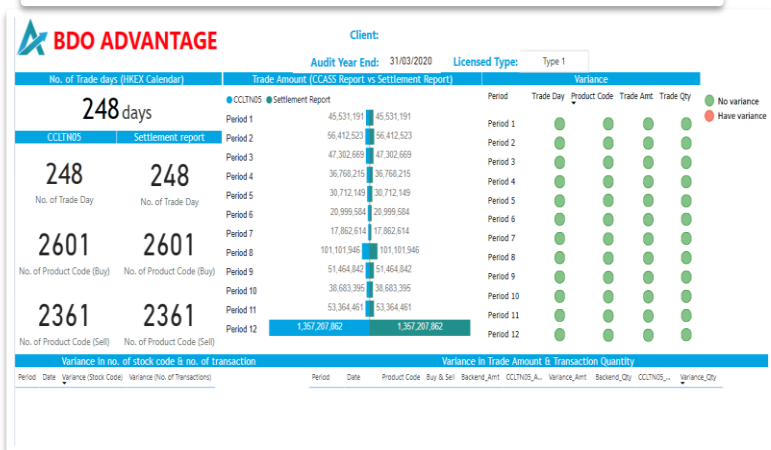
Licensed corporations - audit data analytics (ADA) on financial services

BDO Hong Kong Information Systems Audit Specialist (ISAS) establishes industry-specific models to assist clients with analysis and visualisation of data, provide valuable insights and foresights. Automation in data transformation and visualisation can reduce errors and simplify the processes.

ADA Approach on Licensed Corporations:

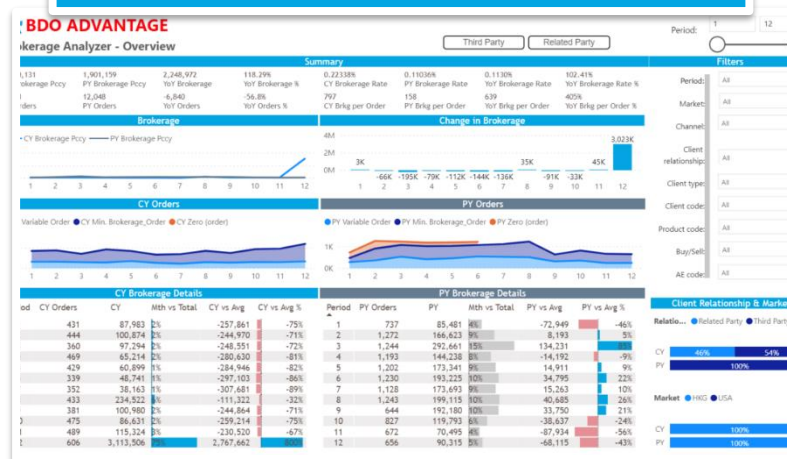
- Stock Record Matching Analyser for entire year: Automated daily stock code trade records matching among dealing system, settlement system and reports from CCASS to ensure the completeness and existence of daily trading transactions.
- Brokerage Analyser: Analysis on financial and non-financial data for unexpected relationship and fluctuation. An expectation and investigation threshold to ensure the accuracy of commission rates and valuation of brokerages

Stock Record Matching Analyser



- Match number of trade days
- Match number of traded stock code for each trade day
- Match total trade amount for each trade day
- Match total trade quantity for each trade day

Brokerage Analyser



- Match number of trade days
 - Population statistics (e.g. CY brokerage, YoY brokerage and CY brokerage rate)
 - Trend analysis
- Transaction Analysis
 - Categorise trade transactions in 3 types
 - Transactions without brokerage charge (zero brokerage)
 - Transactions charged at minimum brokerage (minimum charge)
 - Transactions charged by brokerage rate (brokerage by rate)
- Client Analysis
 - Client overview
 - Client details

02 EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Introduction

- ▶ Sino-Rich Securities & Futures Limited (the “Company”) is a licensed corporation for carrying out regulated activities, namely dealing in securities (Type 1 regulated activity), dealing in futures contract (Type 2 regulated activity) advising on securities (Type 4 regulated activity), advising on futures contracts (Type 5 regulated activity) and asset management (Type 9 regulated activity).
- ▶ We understand from the Company’s management that the Company would like to engage a reputable 3rd party service provider to carry out a special review on certain aspect of the internal control system (the “Review”) of your Company as requested by the Securities & Futures Commission (the “SFC”).

Proposed Scope

- ▶ The relevant areas (the “Relevant Areas”) to be covered in the Review (the “Procedural Review”) are as follows:
 - Cash deposits
 - Third party transfer
 - Ongoing monitoring of customer’s activities, identification and reporting of suspicious transactions
 - Implementation of the measures set out in agreement between Sino-Rich and the SFC on 11 March 2021 (Measures)

Tentative Timetable and Deliverables

- ▶ The Review will be carried in the following tentative timetable:

Phase	Task	Tentative dates	Deliverables
1	Commencement of the Procedural Review	June/July 2021	Review Report (draft & final)

- ▶ The tentative timetable set out above is just for reference and subject to the agreement between the Company’s management and us with reference to actual situation. The deliverables are fact finding reports without an assurance opinion.

Proposed fee

- ▶ Our fee quote below depends on the time necessarily spent on the assignment and the levels of skill and responsibility involved. Outlays to be billed as incurred separately.

Proposed fee	HK\$
Professional fee for the two phase Review	300,000

- ▶ Our proposed fee is based on the assumption that information, records and documents will be made available timely by the management with full cooperation from your staff.

A group of business professionals are seated around a white conference table in a modern office with large windows overlooking a city. The participants include a man in a light purple shirt in the foreground, a woman in a dark striped shirt, a man in a dark suit, and a man in a white shirt and blue tie. They are engaged in a discussion, with some holding pens and papers. The scene is brightly lit by natural light from the windows.

03 OUR UNDERSTANDING OF YOUR NEEDS

OUR UNDERSTANDING OF YOUR NEEDS

Background

Sino-Rich Securities & Futures Limited ('Sino-Rich' or the "Company"), formerly known as FP Sino-Rich Securities & Futures Limited, found in 1999, specialises in 24-hours brokerage management and trading advisory services on global and Hong Kong financial markets.

Sino-Rich is licensed to carry out regulated activities, namely dealing in securities (Type 1 regulated activity), dealing in futures contract (Type 2 regulated activity), advising on securities (Type 4 regulated activity), advising on futures contracts (Type 5 regulated activity) and asset management (Type 9 regulated activity).

Major business and services

Sino-Rich's major services includes:

- Hong Kong securities
- World-wide (US, Canada, Singapore and Germany) stock trading
- Hong Kong futures (incl. HSI futures, H share index futures, USD/CNH futures and others)
- Global futures (incl index futures, FX futures, metal futures, energy futures and others)
- London Metal Exchange metals futures
- Asset Management



OUR UNDERSTANDING OF YOUR NEEDS

Requirements

The SFC conducted an investigation under S182 of the Securities and Futures Ordinance (SFO) and considered that the Company failed to comply with anti-money laundering (AML) and counter-terrorist financing (CFT) regulatory requirements. The Company is considering to engage an independent professional reviewer (the “Reviewer”) to conduct a special internal control review according to specific agreed upon procedures on current systems, controls, policies and procedure and working practices in relation to the following Relevant Areas:

- Cash deposits
- Third party transfer
- Ongoing monitoring of customer’s activities, identification and reporting of suspicious transactions
- Implementation of the measures set out in agreement between Sino-Rich and the SFC on 11 March 2021 (Measures)

In conducting the Review, the Review shall review and provide recommendations on the systems, controls, policies and procedures as implemented by Sino-Rich with reference to the relevant rules and regulations in relation to the Relevant Areas, including but not limited to, the following (collectively the “Rules”):

- i. Anti-Money Laundering and Counter-Terrorist Financing (Cap. 615);
- ii. Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405);
- iii. Organised and Serious Crimes Ordinance (Cap. 455);
- iv. United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575);
- v. Guideline on Anti-Money Laundering and Counter-Terrorist Financing (November 2018);
- vi. Code of Conduct for Persons Licensed by or Registered with the SFC;
- vii. Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC; and

OUR UNDERSTANDING OF YOUR NEEDS

Requirements (continued)

viii. Circulars issued by the SFC:

- Circular to Licensed Corporations and Associated Entities - Anti-Money Laundering/Counter Financing of Terrorism - Suspicious Transactions Monitoring and Reporting dated 3 December 2013;
- Circular to Licensed Corporations and Associated Entities - Anti Money Laundering/Counter-Terrorist Financing - Suspicious Transaction Report dated 9 December 2015;
- Circular to Licensed Corporations and Associated Entities - Anti-Money Laundering/Counter Financing of Terrorism - Compliance with Anti-Money Laundering/Counter Financing of Terrorism Requirements dated 26 January 2017;
- Circular to Licensed Corporations and Associated Entities - Anti-Money Laundering/Counter Financing of Terrorism - Anti-Money Laundering/Counter Financing of Terrorism measures and controls inspection findings dated 31 August 2018;
- Circular to Licensed Corporations and Associated Entities - Anti-Money Laundering I Counter-Financing of Terrorism - Updated Anti-Money Laundering/Counter-Financing of Terrorism Self-Assessment Checklist dated 16 April 2019;
- Circular to Licensed Corporations and Associated Entities - Third-party deposits and payments dated 31 May 2019; and
- Circular to Licensed Corporations and Associated Entities - Anti-Money Laundering/Counter-Financing of Terrorism - Findings from inspections of Anti-Money Laundering/Counter-Financing of Terrorism controls and compliance practices dated 1 December 2020.

04 OUR APPROACH

OUR APPROACH

BDO INTERNAL CONTROL METHODOLOGY

The BDO Internal Control Methodology (ICM), associated practices, and staff training are consistently applied by BDO teams across the globe. While keeping the ICM in mind, we will tailor our approach to suit the Company's requirements, applying your methodology, tools and templates where available.

The BDO ICM encompasses many of the leading practices in internal audit, and is based on the Institute of Internal Auditors' International Professional Practices Framework (IPPF). It is designed with consideration of all components of the IPPF, including the International Standards for the Professional Practice of Internal Auditing. Our staff are certified under the IPPF, and we are a certified Quality Assurance Reviewer under this framework.

Internal Audit activity must focus on providing value to the organisation. Our ICM is a risk-based, top-down methodology focusing on client objectives and the impediments to achieving those objectives. The ICM ensures internal audit resources are focused on the areas of highest risk to you, and that potential issues are flagged before they become problems. The key elements of our philosophy are the completion of work on time to a high standard of quality, with ongoing communication. The BDO ICM provides an end-to-end process and is segmented into five key elements, each providing specific activities and deliverables. Further details are provided in the adjacent diagram.



OUR APPROACH

BDO INTERNAL CONTROL METHODOLOGY

In view of the nature of this engagement, the approach to the specific procedures to be performed as set out in Section 05 will be as follows:

- a) Examine and obtain copies of records and documents in relation to Sino-Rich's systems, controls, policies, procedures and all other matters as it may reasonably be considered by us for the purpose of preparing our reports;
- b) Organise and conduct interviews separately with senior management, compliance officers and any other staff members considered to be reasonably appropriate for this engagement;
- c) Conduct sample testing in accordance to the basis set out below and review Sino-Rich's records and transactions to determine whether the relevant systems, controls, policies and procedures in this Review have been properly implemented in the Relevant Areas and report any non-compliance incident as identified during our Review;
- d) After performing our procedures in this Review, report all review findings, identify any control deficiencies and recommend changes to areas which need improvement

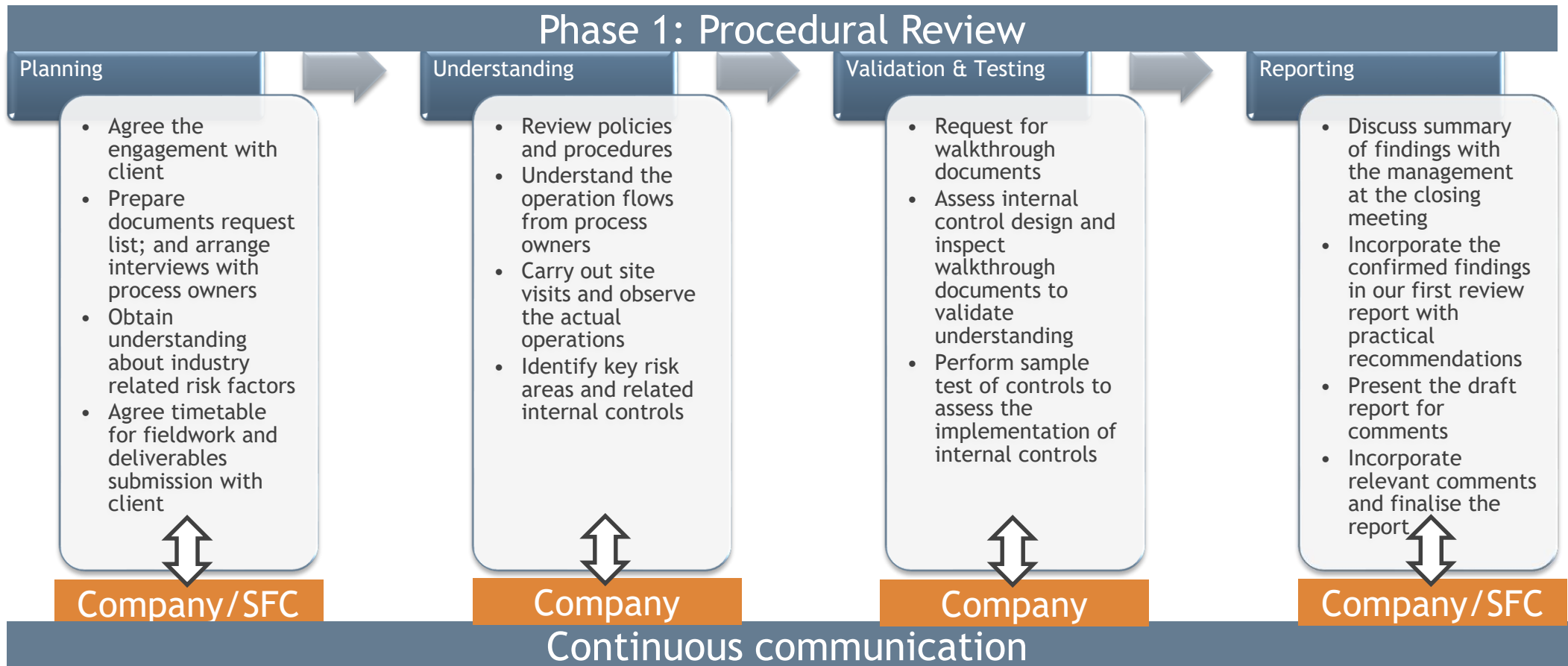
Note: We will make reference to the sample size table below based on the frequency of controls in conducting the testing procedures in step (c) above:

Frequency of controls	Sample size on annual basis
Multiple times a day	25
Controls performed daily	15
Controls performed weekly	5
Controls performed monthly	2
Controls performed quarterly	2
Controls performed annually	1
Automated controls	1



OUR APPROACH

BDO INTERNAL CONTROL METHODOLOGY



A photograph of a business meeting around a wooden table. Several people in business attire are visible. One person is holding a pen over a tablet, another is on a phone, and others are looking at documents or laptops. The scene is brightly lit, possibly by natural light from a window.

05 DETAILED SCOPE OF WORK

DETAILED SCOPE OF WORK

Having considered the nature of this engagement, we propose the below preliminary review plan for your consideration.

We would like to draw your attention that the below review plan is set out based on the information currently available to us; as such, the below review plan can be changed subject to requests by the Company and/or the SFC.

The proposed in-scope processes of Relevant Areas in the Review are as follows:

- Cash deposits;
- Third party transfer;
- Ongoing monitoring of customer's activities, identification and reporting of suspicious transactions; and
- Implementation of the Measures

The period of the Review will be the most current period as applicable at the fieldwork commencement date, preliminary agreed to be between 1 October 2021 and 31 March 2021.



DETAILED SCOPE OF WORK

Based on the current understanding obtained, our proposed scope is summarised as follows:

Process	Scope of Review
Cash deposits	➤ Review Sino-Rich's policies and procedures in relation to the handling of cash deposits, and assess whether such policies and procedures have been documented in writing and clearly communicated to staff members for Sino-Rich's compliance with the Rules. ➤ Review and assess whether Sino-Rich has systems and controls in place for monitoring cash deposits, including steps and measures for identifying: i. the origin of funds in client accounts; and ii. cash deposits that are unusually large in amount or of unusual patterns, or have no apparent legitimate purpose and/or appear not to have a commercial rationale. ➤ Review Sino-Rich's working practices in relation to the handling of cash deposits, including whether: i. Sino-Rich's staff have made proper enquiries with the clients who made cash deposits; ii. reasonable explanations have been provided for cash deposits; iii. there is management oversight over the approval process; and iv. the working practices are In line with the firm's policies and procedures referred to the Rules. ➤ Review and assess whether Sino-Rich maintains a clear and accurate audit trail of its examination of cash deposits, and whether such records are clear to explain the enquiries made in respect of the cash deposits, senior management's/compliance officer's findings and decision, and the date of their decision.

DETAILED SCOPE OF WORK

Process	Scope of Review
Third party transfers	➤ Review Sino-Rich's policies and procedures in relation to the handling of Third party transfers, and assess whether such policies and procedures have been documented in writing, clearly communicated to staff members, for Sino-Rich's compliance with the Rules. ➤ Review and assess whether Sino-Rich has systems and controls in place for monitoring Third party transfers, including steps and measures for identifying: i. the origin of funds in client accounts, and ii. Third party transfers that are complex, unusually large in amount (\$100,000) or of unusual patterns as set out in Sino-Rich's policies and procedures, or have no apparent legitimate purpose and/or appear not to have a commercial rationale. ➤ Review Sino-Rich's working practices In relation to the handling of Third party transfers, including whether. i. Sino-Rich's staff have made proper enquiries with the clients who made/accepted Third party transfers; ii. reasonable explanations have been provided by the clients who made/accepted Third party transfers; iii. there is appropriate management oversight over the approval process; and iv. the working practices are in line with the firm's policies and procedures referred to the Rules. ➤ Review and assess whether Sino-Rich maintains a clear and accurate audit trail of its examination of Third party transfers, and whether such records are able to explain the enquiries made in respect of the Third party transfers, senior management's/compliance officer's findings and decision, and the date of their decision.

DETAILED SCOPE OF WORK

Process	Scope of Review
Ongoing monitoring of customers' activities, identification and reporting of suspicious transactions	➤ Review Sino-Rich's policies and procedures in relation to ongoing monitoring of customers' activities, identification and reporting of suspicious transactions, and assess whether such policies and procedures have been documented In writing, for compliance with the Rules. These include: Review and assess whether: i. the firm's internal policies and requirements on ongoing monitoring of customers' activities, identification and reporting of suspicious transactions are clearly communicated to staff members and implemented; ii. the firm's procedures for identifying and reporting suspicious transactions, and staff's responsibility in monitoring customers' activities and reporting suspicious transactions to compliance officer and/or escalating to senior management are understood by all relevant staff; iii. a person of suitable ranking and with adequate knowledge and experience is designated for overall compliance on anti-money laundering and/or counter-terrorist financing issues in the firm, including acting as a central reference point within the firm to deal with suspicious cases reported by staff; iv. a register has been maintained by the firm to record such reports; v. any training and guidelines provided to staff to enable them to understand what constitutes a suspicious transaction and recognise when money laundering or terrorist financing is likely to be taking place; vi. proper records have been made of suspicious cases reported by staff, and prompt action has been taken and recorded; vii. suspicious transactions which should be reported to the Joint Financial Intelligence Unit (JFIU) are reported In a timely manner; and viii. proper records are kept In relation to suspicious transactions which are assessed Internally but not reported, to the JFIU, including the rationale for the decision, the date of decision, and the name and rank of the staff making that decision.

DETAILED SCOPE OF WORK

Process	Scope of Review
Implementation of the Measures	➤ Review and assess whether the Measures (see below) have been implemented and/or incorporated into Sino-Rich's policies and procedures (as the case may be) and clearly communicated to staff members, and, based on the procedures in this Review, are implemented in the Relevant Areas for Sino-Rich's compliance with the Rules. ➤ Review and assess whether Sino-Rich's working practices in the Relevant Areas are in line with the Measures as implemented and/or incorporated into Sino-Rich's policies and procedures (as the case may be). The Measures agreed to be implemented by Sino-Rich includes: a) Employing a new Head of On-boarding and Accounts/Operations who is responsible for ongoing checks and regular reviews on all new and existing client accounts; b) Implementing Thomson Reuters World Check systems as part of its investigating process, on-boarding process and monitoring system; c) Implementing a reporting system for suspicious transactions reporting to the JFIU; d) Implementing a regular training schedule for all staff to ensure that they are trained to implement its anti-money laundering and counter-terrorist financing control and operational systems; e) Implementing a Customer Relationship Management System and recording/documenting all sales calls for better internal control; f) Investigating any undocumented deposits and ensuring that transaction records of all clients are properly documented; and g) Revising and enhancing its operating policies and procedures.

A photograph of a business meeting in progress. Several people in business attire are seated around a large wooden table. One person is holding a pen over a tablet, another is on a phone, and others are looking at documents or laptops. The scene is brightly lit, likely from natural light coming from a window. A semi-transparent dark grey banner is overlaid across the middle of the image, containing the section header text.

06 OUR PROPOSED TIMELINE AND DELIVERABLES

OUR PROPOSED TIMELINE AND DELIVERABLES

The tentative timetable

Task	Tentative dates
Sending the names of the proposed independent consultant together with the CVs of their respective team members to the SFC	30 April 2021
Engaging an independent consultant for the Review	June 2021
<i>Phase 1 - Procedural Review</i>	
Commencement of the Procedural Review	June/ July 2021
Submitting the draft Procedural Review report to the Company	Within three months after the fieldwork of the Review
Submitting the final Procedural Review report to the Company and the SFC	Within three months after the draft Review report



OUR PROPOSED TIMELINE AND DELIVERABLES

Our Deliverables

Procedural Review

After performing our procedures in this Procedural Review, we will provide a draft review report (Review Report) to Sino-Rich and the SFC at the same time. The report will be finalised upon incorporating all relevant comments from all the engaging parties. The Review Report will be a factual finding report, without assurance opinion. The Review Report (both in draft or final) will include the following:

- ▶ a summary of the work done and review procedures carried out;
- ▶ where sample checking is performed, the total population, sample size, and the basis of selection;
- ▶ a summary of the Company's current systems, controls, policies and procedures in the in-scope processes;
- ▶ based on our review procedures, our evaluation and assessment as to whether the systems, controls, policies and procedures of the Company are adequate and effective to ensure compliance with all Hong Kong legal and regulatory requirements considered applicable (including but not limited to the Rules) in relation to the in-scope processes;
- ▶ based on our review procedures, whether the relevant policies and procedures are effectively implemented;
- ▶ based on our review procedures, our evaluation and assessment of the Company's supervision and management processes on the in-scope processes;
- ▶ a detailed description of any internal control deficiencies, irregularities identified, including the nature of the non-compliance and the circumstances leading to the non-compliance;
- ▶ our recommendations as to how the Company's internal controls and systems might be enhanced, if at all, to reasonably ensure that the legal and regulatory requirements considered applicable in relation to the In-Scope Processes (including but limited to the Rules) are being complied with; and
- ▶ based on our review procedures, our assessment on the extent to which the Measures have been implemented.

OUR PROPOSED TIMELINE AND DELIVERABLES

Our Deliverables (continued)

Follow-up Review

The Follow-up Review will be conducted six months after the provision of the final Review Report for the Procedural Review by the Reviewer to the SFC and Sino-Rich. After performing our procedures in this Follow-Up Review, we will provide a draft follow-up review report (Follow-Up Review Report) to Sino-Rich and the SFC at the same time. The report will be finalised upon incorporating all relevant comments from all the engaging parties. The Follow-Up Review Report will be a factual finding report, without assurance opinion. The Follow-Up Review Report (both in draft or final) will include the following and it will include the following:

- ▶ a summary of work carried out by the Reviewer to assess whether breaches of applicable legal and regulatory requirements and internal control deficiencies identified in the Procedural Review have been rectified;
- ▶ based on our review procedures, whether Sino-Rich has implemented all the Reviewer's recommendations as set out in the final report of the Procedural Review, and if not, the reasons, management response and/or alternative proposals suggested by the management; and
- ▶ based on our review procedures, the Reviewer's evaluation and assessment as to whether Sino-Rich's systems, controls, policies and procedures covered in the Follow-up Review are adequate and effective to ensure compliance with all Hong Kong legal and regulatory requirements considered applicable by the Reviewer in relation to the in-scope processes (including but not limited to the Rules).

Note: The procedures as set out in this Review that we will perform will not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance will be expressed. Our Deliverables will not include the explicit expression of an opinion on adequacy and effectiveness of the Group's internal control system.



07 OUR PROPOSED FEE

OUR PROPOSED FEE

A transparent approach to fees

We are committed to providing high-quality services to the Company that represent value for money and are completely transparent when it comes to fees.

Our approach to fees is of “no surprises”. Our fees are subject to our usual engagement letter terms. No additional fees will arise unless we have agreed with you in advance that there has been a change in scope or that a discussion has turned into a project, for which we will further quote and agree the fee with you.

Our belief in complete transparency means

- ▶ We do not quote unrealistic low fees to win work, in the hope of recovering our costs through selling additional services at inflated rates or increasing our fee subsequently;
- ▶ We will agree a fee with you in advance of any work being undertaken on other advisory projects; and
- ▶ You can be assured that you will not be charged over and above our agreed fees unless we discuss and agree an additional fee due to a change in scope as mentioned above.

Our fee for services

Our fee quote below depends on the time necessarily spent on the assignment by our directors and staff and the levels of skill and responsibility involved. Outlays to be billed as incurred separately.

Our proposed fee is based on the assumption that information, records and documents will be made available timely by the management with full cooperation from your staff.

Proposed fee	HK\$
For provision of professional service related to our special internal control review services	300,000



CLIENTS

08 OUR CREDENTIALS

SELECTED CREDENTIALS - FINANCIAL SERVICES

A SNAPSHOT OF KEY CLIENTS

Kingston Securities



Regulatory Compliance Review

CITIC International
Assets Management



CITIC International Assets Management Limited
中信國際資產管理有限公司

Internal Audit Services

First Shanghai
Investments Limited



Internal Audit Services

Fortune REIT



Internal Audit Services

Public Bank



ESG Reporting

Autotoll Limited



Internal Audit Services

ePaylinks Technology Co., Limited



Internal Audit Services

DBS Bank (Hong Kong) Limited



Compliance and system functions
support

OUR CREDENTIALS

A selection of financial services clients



Sun Hung Kai
Financial Limited



SBI China Capital
Holdings Limited



Orient Securities
International Holdings
Ltd



KGI International
Holdings Limited



GT Capital
Limited



Phillip Securities
(Hong Kong) Limited



大有融資有限公司
MESSIS CAPITAL LIMITED

Messis Capital
Limited



Prime China
Securities Limited



Astrum Capital
Management Limited



Differ Group
Holdings Company
Limited



Success Securities
Limited



Fulbright Financial
Group Limited

PineStone 鼎石

Pinestone Securities Limited

SELECTED CREDENTIALS - FINANCIAL SERVICES

Company name	Business	Supervising Authority	Services
Fulbright Financial Group Limited	Securities and futures Dealing & asset management	The SFC	Special internal control review
Silverhorn Investment Advisors Limited	Asset management	The SFC	Review of regulatory returns compilation process
Kingston Financial Group (1031.hk)	Securities and futures Dealing, corporate finance & asset management	The SFC & the SEHK	Regulatory compliance review and statutory audit and compliance review
KGI Securities	Securities dealing	The SFC	Internal control review
Orient Securities International Holdings Group (8001.hk)	Securities dealing & asset management	The SFC & the SEHK	Pre-listing internal control review and statutory audit and compliance review
Pineston Capital Group (8097.hk)	Securities dealing & asset management	The SFC & the SEHK	Pre-listing internal control review and statutory audit and compliance review
CITIC International Assets Management Ltd.	Asset management	The SFC	Internal audit services
Fortune REIT	Investment fund	The SFC & the SEHK	Internal audit services
Crosby Securities Limited (part of Quali-Smart(1348.hk))	Securities dealing & asset management	The SFC	Statutory audit and compliance review

SELECTED CREDENTIALS - FINANCIAL SERVICES

Company name	Business	Supervising Authority	Services
Finet Group (8317.hk)	Securities dealing & asset management	The SFC & the SEHK	Statutory audit and compliance review
Glory Sun Financial Group (1282.hk)	Securities dealing & asset management	The SFC & the SEHK	Statutory audit and compliance review
Mason Group (273.hk)	Securities dealing & asset management	The SFC & the SEHK	Statutory audit and compliance review
Renco Holdings Group (2323.hk)	Securities dealing & asset management	The SFC & the SEHK	Statutory audit and compliance review
LFG Investment Holdings Group (3938.hk)	Securities dealing, corporate finance & asset management	The SFC & the SEHK	Statutory audit and compliance review
Power Financial Group (397.hk)	Securities dealing, corporate finance & asset management	The SFC & the SEHK	Statutory audit and compliance review
Sheng Yuan Holdings Group (256.hk)	Securities dealing, corporate finance & asset management	The SFC & the SEHK	Statutory audit and compliance review
South China Assets Holdings (8155.hk)	Securities dealing & asset management	The SFC & the SEHK	Statutory audit and compliance review
A portfolio of more than 120 SFC registered licensed corporations	Securities and futures dealing, corporate finance and/or asset management	The SFC	Statutory audit and compliance review

SELECTED CREDENTIALS - FINANCIAL SERVICES

Company type/name	Business	Supervising Authority	Services
Hong Kong Branch of a US Bank	Banking	The HKMA	Special review on risk governance structure and other processes
Hong Kong Branch of an Asia Bank	Banking	The HKMA	Special internal control review under S59(2) of the Banking Ordinance
DBS Bank (Hong Kong) Limited	Banking	The HKMA	Compliance and system functions support
Hong Kong Branch of an Indian Bank	Banking	The HKMA	Consultant secondment services related to compliance and banking return processes
Hong Kong Branch of an Asia Bank	Banking	The HKMA	Consultant secondment services related to implementation of new banking system and other processes
Hong Kong Branch of an Indian Bank	Banking	The HKMA	Consultant secondment services related to credit risk mgt, compliance & banking return processes
Hong Kong Branch of an Indian Bank	Banking	The HKMA	Internal audit services for banking operations
Autotoll Limited	Stored value facility	The HKMA	Internal audit services
UniCard Solution Limited	Stored value facility	The HKMA	Internal audit services
ePaylinks Technology Co., Limited	Stored value facility	The HKMA	Internal audit services



09 YOUR BDO ENGAGEMENT TEAM PROFILE

YOUR BDO ENGAGEMENT TEAM PROFILE

Experienced professionals

Our professionals include compliance professionals, certified internal auditors, former banking practitioners, accountants, sustainability professionals, IT professionals and industry consultants. We provide a broad range of governance, regulatory and compliance advisory services, including facilitating compliance with regulatory requirements, enhancing policies, procedural controls and system, working with law enforcement agencies and regulatory bodies, providing knowledge and training on policies and procedures. Many of our team members are qualified accountants, certified internal auditors (CIA), certified information system auditors (CISA), qualified anti-money laundering specialist, qualified carbon auditor, etc.

We have assembled the best tailored multi-disciplinary team that BDO can offer. Our team's knowledge and collective experiences with similar projects on regulated activities will provide the technical competence, practical insight and value you are looking for.

The experience of our professionals in conducting numerous advisory engagements, as well as the diversity of BDO practice areas, offer our clients valuable benefits, such as:

- Domestic and broad international engagement experience
- Seasoned professional with good interviewing skills and techniques
- Training guides and experience on the governance, regulatory and compliance reviews



OUR TEAM

Seasoned and experienced professionals

- ▶ We have a strong team of around 30 professional staff from different disciplines.
- ▶ Our core members has extensive experiences in performing compliance, internal controls and governance work.
- ▶ The details of our staff resources is as follows:

Grade	No. of Staff
Director	2
Principal	2
Senior Manager	3
Manager	4
Assistant Manager	5
Senior Associate	6
Associate	13



BDO ENGAGEMENT TEAM PROFILE

RICKY CHENG



Ricky Cheng
Director and
Head of Risk Advisory Services
rickycheng@bdo.com.hk
Direct: +852 2218 8266
Tel: +852 2218 8288

Ricky Cheng is the director and head of risk advisory of the firm, with major responsibility in the area of risk advisory services. He specialises in assisting clients in managing their internal audit function and meeting corporate governance requirements in both China and Hong Kong.

Ricky has over 20 years of risk and assurance experience. He worked for large international accounting firms and had commercial internal audit experience. He has hands-on experience in various services such as Sarbanes-Oxley Compliance, risk management assessment, compliance assistance, corporate governance compliance review, internal audit assistance, business process review, Environmental, Social and Governance (ESG) readiness and reporting support services review, stored value facilities (SVF) license independent assessment review, etc.

The portfolio of clients managed by Ricky comes from various industries including financial institutions such as brokerage houses and derivative products company. transportation, property development and construction, gaming and entertainment, hospitality, manufacturing, gold and minerals mining, fast moving consumer goods, retailing and department chain stores.

Ricky is a frequent event speaker of related topics for professional body organisations and training for listed and non-listed companies.

Current and past professional/public appointments

- Member, Advisory Peer Group of the Open University of Hong Kong (2020 - present)
- Member, Membership Committee of The Institute of Internal Auditors Hong Kong (2019 - present)
- Member, Sustainability Committee of The Hong Kong Institute of Certified Public Accountants (2018 - present)
- Member, Training Committee of The Hong Kong Institute of Directors (2013)
- Member, ACCA Hong Kong Committee (2011 - 2013)

Qualifications and professional affiliations

- Fellow of the Hong Kong Institute of Certified Public Accountants
- Fellow of the Association of Chartered Certified Accountants
- Certified Internal Auditor

BDO ENGAGEMENT TEAM PROFILE

PETER PANG



Peter Pang

Director of Risk Advisory
peterpang@bdo.com.hk
Direct: +852 2218 3813
Tel: +852 2218 8288

Peter Pang is the director of Risk Advisory who has extensive experiences in managing corporate governance, compliance, risk management, internal control review, internal audit, Sarbanes-Oxley and other assurance projects for local, regional and international financial services clients.

Peter has more than 20 years of risk and assurance experience. Prior to joining BDO, he was the Head of Risk of a listed aircraft leasing company with operations in Asia, Europe and America. He also worked in a large international accounting and advisory firm as head of department.

Peter served clients in the financial services sector, including securities, fund and asset management, banking, trust operation, aircraft leasing, airlines, regulatory and professional organisations. In particular, he has involved in anti-money laundering review, credit risk management, statutory return, financial reporting process and other internal control review assignments for securities and other financial services clients.

Professional Affiliation

- Fellow of the Hong Kong Institute of Certified Public Accountants
- Fellow of the Institute of Chartered Accountants in England and Wales
- Certified FRM of Global Association of Risk Professionals (GARP)

BDO ENGAGEMENT TEAM PROFILE

STEPHEN LEE



Stephen Lee
Manager of Risk Advisory
stephenlee@bdo.com.hk
Direct: +852 2218 8798
Tel: +852 2218 8288

Stephen Lee is the firm's manager in Risk Advisory. He has 7 years' experience in managing various assurance and advisory engagements, such as audit, risk assessment, corporate governance reviews and regulatory compliance review for financial services and other clients.

His clientele covers different sectors including securities dealing and advisory, banking, online payment gateway, stored value facility and gaming among others in Hong Kong, US, PRC and Singapore.

Stephen has an in-depth understanding of internal control best practice and acts as engagement field in charge for his financial services, listed and other non-listed clients.

In particular, he has been in charge in reviewing anti-money laundering process of banks, stored values facilities operators, payment solution company and securities firms. He is also responsible for providing training to senior management of the financial services clients on compliance and AML/CFT best practices. Further, he was also in-charge of internal audit and independent assessment engagements on the loans, credit risk management, AML/CFT process, treasury operation and statutory returns of our financial services clients.

Professional Affiliation

- Certified Practising Accountant Australia (CPA AUST)
- Associate Anti-Money Laundering Professional (AAMLPP)



BDO Risk Advisory Services Limited

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Tel: +852 2218 8288
Fax: +852 2543 1051

www.bdo.com.hk

The proposal contained in this document is made by BDO Risk Advisory Services Limited ("BDO") and is in all respects subject to the negotiation, agreement and signing of a specific contract. It contains information that is commercially sensitive to BDO, which is being disclosed to you in confidence and is not to be disclosed to any third party without the written consent of BDO.

BDO Risk Advisory Services Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

© BDO Risk Advisory Services Ltd

