



ADS Securities Hong Kong Limited
("Company")

Compliance Manual
for
Type 4 (Advising on Securities)
Regulated Activity

This Compliance Manual ("**Manual**") contains regulatory requirements, procedures and expectations of the firm and individuals in relation to ADS Securities Hong Kong Limited (the "**Company**").

This Manual is the sole property of the Company and must be returned to the Company should an employee's association with the Company terminate for any reason. The contents of this Manual are confidential. Employees may not disseminate, reproduce, distribute, duplicate, copy, or make extracts from or abstracts of this Manual, or make it available in any form to anyone without express approval from the Compliance Officer.

"ADS HK Compliance Manual for Type 4 regulated activity" is reviewed and approved by

Approver	Designation	Signature	Date
Francie Lee	RO & Managing Director		31 AUG 2017
Justin Chan	RO		31 AUG 2017
Ray Sun	Compliance Manager		31 AUG 2017

AMENDMENTS TO THIS MANUAL

This Manual will be updated as appropriate, to reflect changes to the regulated business activities, or regulatory changes applicable to the Company.

The master copy of the current Manual will be stored in the shared drive of ADS Securities Hong Kong Limited and maintained by the Compliance Officer or his/her delegates. For additional copies of this Manual, please contact a Responsible Officer or the Compliance Officer (details of such individuals are set out below in the sections headed “**The Compliance Framework**”).

Future updates and amendments made to the master copy of the Manual will be referenced and maintained by the Compliance Officer of ADS Securities Hong Kong Limited. It is intended that this Manual be reviewed at appropriate intervals to ensure that it is operating efficiently and that it is appropriate to the Company's operations.

Compliance and Internal Control for Advising on Securities

1. Introduction

- 1.1 This Chapter sets out the code of conduct with which the Analysts are required to comply. Failure to comply with may result in the termination of his contract of employment or agency contract. The term “Analysts” used in this chapter also includes the licensed representatives, investment advisor or any other designation of the Company given to the Registered Person(s) who is/are engaged in advising on securities business. Where applicable, the Analysts should read this chapter together with their handbook issued and/ or amended by the Company from time to time.

2. Code of Conduct

- 2.1 The Analysts are required to comply with all relevant regulatory and Regulators’ requirements applicable to the conduct of their business so as to promote the best interests of clients and the integrity of the market.
- 2.2 The Analysts are required to observe proper standards of integrity and commentaries and recommendations and investment advice should be on a reasonable, independent and professional basis at all times act honestly and fairly and in the best interests of the Company’s clients and the integrity of the market and ensure that they conduct their business in a manner which contributes to the maintenance of a fair and orderly market.
- 2.3 The Analysts are required to act with due skill, care and diligence in the best interests of the Company’s clients and the integrity of the market and ensure that they conduct their business in a manner which contributes to the maintenance of a fair and orderly market.
- 2.4 The Analysts are required to disclose his actual and potential conflicts of interest when recommending a security such as:
1. Disclosing in his/her research reports the relationship (if any) that he/she or an individual employed by the firm serves as an officer of the listed corporation he/she reviews.
 2. Disclosing in his/her research reports the financial interest (if any) he/she has, or the financial interest/business relationship the firm has, in the listed corporation he/she reviews.
 3. Nothing receive fees, commissions, rebates, benefits or whatsoever, from outside parties to avoid the undue influence upon him/her.
- 2.5 The Analysts are not to deal in any securities in respect of a listed corporation that he/she reviews in a manner contrary to his/her outstanding recommendation.
- 2.6 The Analysts are not to deal in security in respect of an enterprise that he/she reviews within 30 business days prior to and 3 business days after the issue of an investment research reports on that enterprise.
- 2.7 The Analysts makes commentaries or recommendations through the mass media.
- They should appear in personal capacity in the mass media and disclose the following at the time the analyses or comments are provided:

1. his name.
2. his licence status and
3. where he and/or his associate has a financial interest in the listed corporation, the fact of having such an interest.

When the Analysts is asked by members of an audience, or otherwise by a journalist, for analyses or comments on specific securities, he/she may offer such analyses or comments provided that he/she makes the disclosure in his name, licence status and financial interest notwithstanding the fact that he and/ or his associates have traded in the relevant securities during 30 days prior to giving such analyses or comments.

- 2.8 The Analysts is required to disclose any trading and conflicts of interests through which the investment research, or analyst's advice or comments is being delivered. The required disclosures are limited to the fact of the matter. Details such as the amount of its nature are not required.
- 2.9 The Analysts should maintain the quality of research reports such as:
 1. Having a reasonable, independent and professional basis in constructing the research reports;
 2. Having a reasonable basis for his/her analyses and recommendations;
 3. Defining the terms used in making recommendations and utilize such definitions consistently;
 4. Disclosing the research reports that actual or potential conflicts of interest (if any) completely, clearly, concisely and specifically;
 5. Disclosing the research reports where is shown his/her name and license status.
- 3.0 The Analysts shall report directly to the Responsible Officer in charge. They should not participate in business activities designed to solicit investment banking business, such as sales pitches and deal road shows.

ADVICE GUIDELINE

Company Name: _____

1. Company and Business Nature Introduction:

Total Capital Shares (HK\$):

Shares in Circulation:

Majority Shareholders and its holding %:

2. Stability of the Business:

	Last 3 Years (Audited)	Last 2 Years (Audited)	Last Years (Audited)	This Year (Forecast)	Next Year (Forecast)
Gross Profit Ratio					
Operation Profit Ratio					
Net Profit Ratio					

Number of Smile(s): () () () () ()

Score: ☺ (5 ☺ = Full Mark)

3. Business Growth and Profit Forecast for coming 2 Years:

	Last 3 Years (Audited)	Last 2 Years (Audited)	Last Years (Audited)	This Year (Forecast)	Next Year (Forecast)
Revenue					
Operation Profit					
Net Profit					
EPS					
Revenue Growth (%)					
EPS Growth (%)					

Number of Smile(s): () () () () ()

Score: ☺ (5 ☺ = Full Mark)

4. Company's Financial History:

	Last 3 Years (Audited)	Last 2 Years (Audited)	Last Years (Audited)	This Year (Forecast)	Next Year (Forecast)
Revenue					
Net Profit					
EPS					
Total Debt					
Net Profit Ratio					
Net Profit Ratio					
Debt to equity					

Number of Smile(s): () () () () ()
 Score: ☺ (5 ☺ = Full Mark)

5. Profitability:

	Last 3 Years	Last 2 Years	Last Years
Operation Cash Flow			
Investment Cash Flow			
Financing Cash Flow			
Total			
Net Cash Flow (Total Debt)			
*NCF/ NAV			
Net Asset Return			

Number of Smile(s): () () () () ()
 Score: ☺ (5 ☺ = Full Mark)

8. Investment Risk Evaluation:

9. Factors Triggering the Price Upward Movement:

10. Conclusion:

Composed by:

Reviewed and Approved by:

Time & Date:

Time & Date:

Qualitative analysis of investment score standards

One, stability in the business (5 *)

I. The expectation growth of industry in coming three years

Total: 2 *

Growth of > 10%	2 *
0 < growth < 10%	1 *
Growth < 0	0 *

II. The company nature of business

Total: 3 *

Full monopoly	3 *
Powerful market leader	2.5 *
Barriers of new entrants	2 *
Highly competitive, the company has an advantage	1.5 *
Highly competitive, the company is not distinctive characteristics	1 *
The weak of company's business prospects	0 *

The above score will be adjusted subject to changes in gross profit margin and net interest rate

Two, the growth of business (5 *)

I. The expectation growth of industry in coming three years > 50%

Total 5 *

Fully achieve	5 *
High possibility of implementation (80%)	4 *
Medium possibility of implementation (60%)	3 *
Great uncertainty of implementation (40%)	2 *
Difficult to achieve (20%)	1 *
Completely unable to achieve (0)	0 *

II. The industry in coming three years in between 30% to 50% expectation growth

Total 4 *

Fully achieve	4 *
High possibility of implementation (80%)	3.2 *
Medium possibility of implementation (60%)	2.4 *
Great uncertainty implementation (40%)	1.6 *
Difficult to achieve (20%)	0.8 *
Completely unable to achieve (0)	0 *

III. The industry in coming three years in between 15% to 30% expectation growth

Total 3 *

Fully achieve	3 *
High possibility of implementation (80%)	2.4 *
Medium possibility of implementation (60%)	1.8 *
Great uncertainty implementation (40%)	1.2 *
Difficult to achieve (20%)	0.6 *
Completely unable to achieve (0)	0 *

IV. The industry in coming three years in between 8% to 15% expectation growth

Total 2 *

Fully achieve	2 *
High possibility of implementation (80%)	1.6 *
Medium possibility of implementation (60%)	1.2 *
Great uncertainty implementation (40%)	0.8 *
Difficult to achieve (20%)	0.4 *
Completely unable to achieve (0)	0 *

<i>V. The industry in coming three years in between 0% to 8% expectation growth</i>		Total 1 *
Fully achieve	1 *	
High possibility of implementation (80%)	0.8 *	
Medium possibility of implementation (60%)	0.6 *	
Great uncertainty implementation (40%)	0.4 *	
Difficult to achieve (20%)	0.2 *	
Completely unable to achieve (0)	0 *	

VI. The expectation of average negative growth in coming three years **Total: 0 ***

Three, the company's history, scale, management, financial position (5 *)

<i>I. Company's history</i>		Total: 1 *
> 10 years	1 *	
<10 years	0.5 *	

<i>II. Scale</i>		Total: 1 *
Industry leaders	1 *	
Ordinary participants	0 *	

<i>III. Management</i>		Total: 1 *
Be able to fully honor its promise	1 *	
There are reasonable grounds for part of the commitment cannot be completed	0 ~ 1 *	
Unable to fulfill commitments	0 *	

<i>IV. Financial position</i>		Total 2 *
Debt-equity ratio <30%	2 *	
Debt-equity ratio in between 30% to 100%	1 ~ 2 *	
Debt-equity ratio > 100%	0 ~ 1 *	

Four, earning quality (5 *)

Earnings fully convert to free cash flow	5 *
Earnings partly convert to free cash flow	0 to 5 *
No free cash flow	0 *

The above score will be adjusted subject to changes in net return on asset

Five, market and industry performance (5 *)

<i>I. Stock market performance</i>		Total : 2 *
Stock market obviously rose in last month	2 *	
Stock market shuddering move across in last month	1 *	
Stock market substantially fell in last month	0 *	

<i>II. Industry performance</i>		Total: 3 *
Industry performance stronger than stock market in last month	3 *	
Industry performance equal to stock market	2 *	
Industry performance weaker than stock market in last month	1 *	

WORKSHEET



REVISION HISTORY

Version	Content	Revision Type	Date	Updated By
1.0 (2017)	New Policy	New	Aug 2017	Justin Chan