*You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto, as included in the Accountants' Report set out in Appendix I to this document (the "**Financial Information**"). Our Financial Information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the sections headed "Forward-looking statements" and "Risk factors" in this document.

Unless the context otherwise requires, financial information disclosed in this section is described on a consolidated basis.

OVERVIEW

Founded in the early 1970s, we are a well-established securities broker in the Hong Kong financial services industry. A summary of our services in each business segment is set out as follows:

- **Securities broking services**

During the Track Record Period and up to the Latest Practicable Date, our securities broking service income is primarily derived from the provision of brokerage services to clients to trade securities listed on the Stock Exchange and eligible securities traded through the Shanghai Connect and Shenzhen Connect, as well as enabling clients to trade securities listed on exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States and B shares in the PRC. We also provide placing services and ancillary services including scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services.

- **Financing services**

We provide margin financing services to our clients to facilitate them to purchase securities on the secondary market or short-term IPO financing to apply for IPO shares in return for interest income. We also generate interest income from our cash account clients on their overdue debit balance.

- **Asset management services**

We offer asset management services on a discretionary basis to our high net worth clients who would like us to manage their portfolios on their behalf.

For further details of our services, please refer to the sub-section headed "Business - Our business model" in this document.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 22 August 2016. In preparing of the **[REDACTED]**, we underwent the Reorganisation, as detailed in the section headed "History, development and Reorganisation" in this document. As a result of the Reorganisation, our Company became the holding company of the subsidiaries comprising us.

The financial information relating to us has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA. We have adopted all HKFRSs effective for the accounting period commencing from 1 January 2017 in the preparation of the financial information contained in this document throughout the Track Record Period. All intra-group transactions and balances have been eliminated on consolidation. For more information on the basis of presentation and preparation of the financial information included in this section, please see notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this document for details.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been, and are expected to be, affected by the number and size of the transactions undertaken by our clients. In addition, our business focuses on the Hong Kong market. Therefore, our Directors consider that the principal factors affecting our operations include the following:

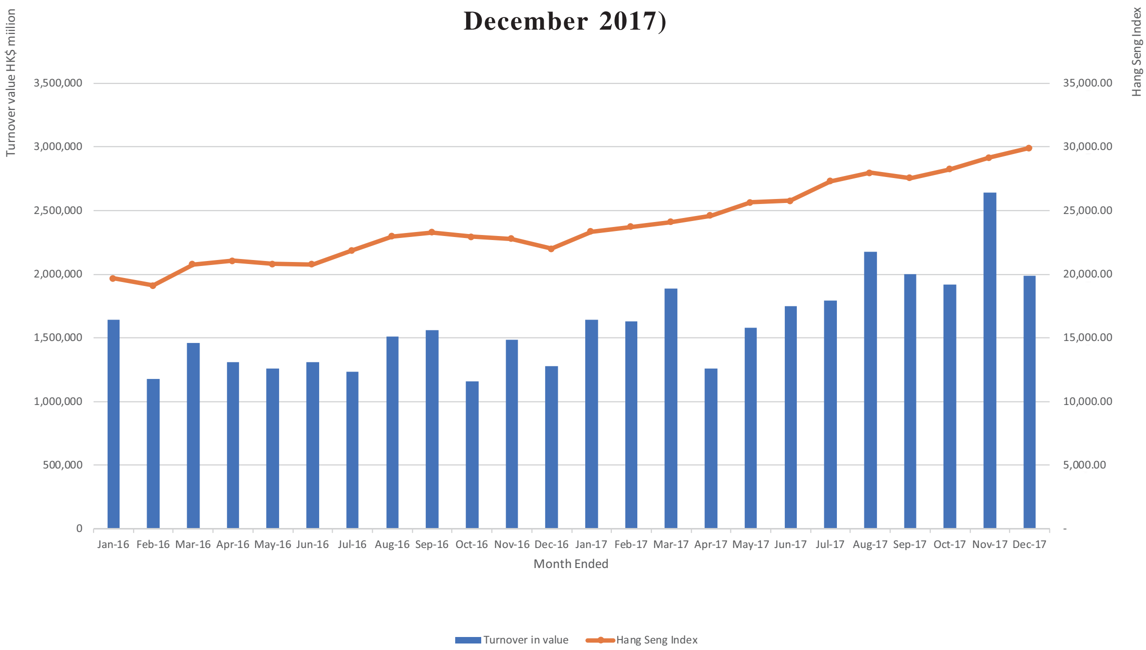
The performance of the securities market in Hong Kong

The Main Board and GEM are the two markets operated by the Stock Exchange for securities trading. The Main Board provides a platform for the trading of securities of larger and more established companies while GEM provides a platform for the trading of securities of growth companies. The trading turnover of the Hong Kong securities market fluctuated during the past few years. There was a downturn of trading turnover in 2008 and 2009 due to the global financial tsunami which took place in the second half of 2008. The trading turnover in 2012 reached the bottom and amounted to HK$13,301 billion as a result of the uncertainties arising from the European debt crisis. IPO market also experienced a similar trend that the total fund raised from IPO dropped significantly in 2008 (only HK$66 billion) and 2012 (only HK$90 billion).

Our revenue is highly dependent on the activeness of the securities market in Hong Kong. With the unstable and unpredictable market conditions, our financial performance may be volatile. Notwithstanding we recorded an increase in revenue for the year 2017 as compared to the year 2016, our financial performance for the year ending 31 December 2018 will probably still be dependent on the sentiments of the Hong Kong securities market in 2018.

The following chart shows the monthly turnover value of the Main Board and GEM of the Stock Exchange (excluding Shanghai and Shenzhen stocks) and Hang Seng Index during the Track Record Period:

Total turnover value of the Main Board and GEM of the Stock Exchange (excluding Shanghai and Shenzhen stock) and Hang Seng Index from January 2016 to December 2017)



Source: HKEx Monthly Market Highlights

The intensity of competition in Hong Kong

The rapid increase in trading turnover of the Hong Kong stock market from 2002 to 2007 had created a strong demand for services in the local brokerage industry. The entry of new participants in recent years has however led to intense competition in the industry. As at 31 December 2017, there were 622 trading Stock Exchange participants. Assuming all other factors remain unchanged, our turnover improves if we increase our market share and expand our client base.

The fluctuation of interest rates

In general, an increase in interest rates may positively or adversely affect investors' appetite to invest in the securities market, and thereby affect market sentiment, which may in turn affect our results of operations. U.S. 10-year Treasury Bonds yield rose to over 2.88% on 2 February 2018, sparking turmoil in the global stock markets. Market expectation on interest rate hike led to investors selling off fixed income securities.

The changes in the laws and regulations governing the securities industry in Hong Kong

Changes in the laws and regulations governing the securities industry in Hong Kong, such as those relating to the brokerage commission structure, may affect our revenue. Changes in the amount of liquid capital requirements for our business may affect the volume and size of transactions that we can conduct. These may in turn affect our revenue. In addition, changes in other relevant laws (for example the Companies Ordinance and the SFO) and regulations (for example the Listing Rules, the GEM Listing Rules and the Takeovers Code) may affect listed companies' abilities to conduct corporate exercises, such as fund-raising in the primary market, including IPOs, and secondary market equity fund-raising.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approaches that we use in determining these items are based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our consolidated financial statements included in this document.

The financial information has been prepared under the historical cost convention except for investment properties, land and buildings held for own use classified as property, plant and equipment and financial assets at fair value through profit or loss which have been measured at fair value. It also requires our Directors to make judgments, estimates and assumptions concerning the future. The judgments, estimates and assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from these estimates.

We have identified certain accounting policies and estimates that we believe are the most critical to the preparation of our consolidated financial statements and the understanding of our results of operations and financial position. Our critical accounting policies and estimates are set forth in details in Notes 2.4 and 3, respectively, to the Accountants' Report set out in Appendix I to this document.

SUMMARY RESULTS OF OPERATION

The table below sets forth our consolidated statements of profit or loss for each of the years 2016 and 2017:

	31 December	
	2016	**2017**
	HK$	*HK$*
Revenue	30,234,835	56,433,162
Other income and gains/(losses), net	3,189,133	7,912,341
	33,423,968	64,345,503
Commission expenses	(3,696,937)	(7,027,489)
Depreciation	(1,757,107)	(2,113,746)
Staff costs	(10,057,423)	(15,336,578)
Other operating expenses	(7,842,403)	(17,068,586)
Finance costs	(1,207,427)	(1,570,457)
Profit before tax	8,862,671	21,228,647
Income tax expense	(1,768,473)	(3,575,564)
Profit for the year	7,094,198	17,653,083

DESCRIPTION AND COMPARISON OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, provision of securities broking services has been our core business segment and revenue generated from this segment represented a significant portion of our total revenue and other income during the Track Record Period. Depending on specific needs of our clients, we also offer ancillary services such as scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services. We charge handling fees for providing such services. We also provide financing services and asset management services in Hong Kong to cater for our clients' specific needs.

Revenue by business segment

The table below sets forth the breakdown of our revenue derived from each business segment during the Track Record Period:

	31 December			
	2016		**2017**	
	HK$	*% of revenue*	*HK$*	*% of revenue*
Securities broking services	23,832,126	78.8	46,937,968	83.2
Financing services	5,685,918	18.8	7,267,365	12.9
Asset management services	716,791	2.4	2,227,829	3.9
Total:	30,234,835	100.0	56,433,162	100.0

Comparison between FY2016 and FY2017

Our total revenue increased by HK$26.2 million or 86.6% from HK$30.2 million for the year 2016 to HK$56.4 million for the year 2017. Such increase was mainly due to a substantial increase in income from our securities broking services for the year 2017 as compared to the previous year.

Securities broking services

The below table sets forth the breakdown of revenue from our securities broking services during the Track Record Period:

	31 December			
	2016		**2017**	
	HK$	*% of revenue*	*HK$*	*% of revenue*
Commission and brokerage income	20,155,562	84.6	35,405,745	75.4
Placing commission	—	0.0	4,759,807	10.1
Others *(Note)*	3,676,564	15.4	6,772,416	14.5
Total:	23,832,126	100.0	46,937,968	100.0

Note: Others comprises (i) handling fee income and (ii) interest income from our deposits.

Comparison between FY2016 and FY2017

Revenue from our securities broking services increased by HK$23.1 million or 97.0% from HK$23.8 million for the year 2016 to HK$46.9 million for the year 2017. Such increase was mainly due to the increase in the commission and brokerage income by HK$15.3 million or 75.7%, which in turn was mainly attributable to the increase in the trading turnover of our clients in the year 2017.

Revenue from our placing services primarily consisted of commission fees from underwriting of debt securities for listed clients. Revenue from our placing services increased by HK$4.8 million from nil for the year 2016 to HK$4.8 million for the year 2017. Such increase was mainly due to the commencement of our placing services during the year 2017.

The increase in others was mainly due to the increase in the handling fee income, which in turn was due to the increase in the number of high volume day trading clients from 29 in the year 2016 to 38 in the year 2017.

Financing services

Revenue from our financing services primarily consisted of interest income from our clients.

Comparison between FY2016 and FY2017

Revenue from our financing services increased by HK$1.6 million or 27.8% from HK$5.7 million for the year 2016 to HK$7.3 million for the year 2017. Such increase was in line with the increase in the daily average outstanding loan balance, reflecting a positive market sentiment in the Hong Kong market has attracted investors leveraging their investment return by borrowing margin loan.

Asset management services

Revenue from our asset management services primarily consisted of management and performance fees.

Comparison between FY2016 and FY2017

Revenue from our asset management services increased by HK$1.5 million or 210.8% from HK$0.7 million for the year 2016 to HK$2.2 million for the year 2017. Such increase was mainly due to recognition of performance fees of HK$1.4 million for the year 2017 compared to HK$0.3 million for the year 2016, during which the Hang Seng Index has risen from about 22,000 points to 29,919 points.

Other income and gains or losses

The table below sets forth the breakdown of our other income and gains or losses during the Track Record Period:

	31 December	
	2016	**2017**
	HK$	*HK$*
Gross rental income	531,000	531,000
Fair value (losses)/gains on financial assets designated at fair value through profit or loss ("**FVTPL**")	(765,528)	2,564,973
Dividend income from listed investments	253,565	253,865
Revaluation gains on investment properties	1,300,000	4,500,000
Gain/(loss) on disposal of items of property, plant and equipment	550	(796)
Consultancy fee income	986,674	—
Other interest income	737,100	—
Sundry income	145,772	63,299
Total:	3,189,133	7,912,341

Comparison between FY2016 and FY2017

The overall amount increased by HK$4.7 million or 148.1% from HK$3.2 million for the year 2016 to HK$7.9 million for the year 2017. Such increase was mainly due to the revaluation gain amounting to HK$4.5 million for the year 2017 on investment properties, as compared to a gain of HK$1.3 million recognised in the year 2016; and the fair value gain amounting to HK$2.6 million for the year 2017 on financial assets at FVTPL, as compared to a loss of HK$0.8 million recognised in the year 2016. The above effect was offset by the reduction of consultancy fee income of HK$1.0 million and other interest income of HK$0.7 million for the year 2016.

Commission expenses

Our commission expenses primarily consisted of brokerage commissions paid to licensed employees and self-employed account executives.

Comparison between FY2016 and FY2017

Our commission expenses increased by HK$3.3 million or 90.1% from HK$3.7 million for the year 2016 to HK$7.0 million for the year 2017. Such increase was in line with the increase in our commission and brokerage income of 75.7% and was partly due to the commission expenses paid for generation of placing commission income for the year 2017.

Staff costs

The table below sets forth the breakdown of our staff costs during the Track Record Period:

	31 December	
	2016	**2017**
	HK$	*HK$*
Salaries, allowances and benefits in kind	9,528,441	14,746,868
Contributions to MPF and ORSO schemes	528,982	589,710
Total:	10,057,423	15,336,578

Comparison between FY2016 and FY2017

Our staff costs increased by HK$5.3 million or 52.5% from HK$10.1 million for the year 2016 to HK$15.3 million for the year 2017. Such increase was mainly due to the increase in bonuses paid to staff and an increase in the number of staff from 31 in the year 2016 to 37 in the year 2017.

Other operating expenses

The table below sets forth the breakdown of our other operating expenses during the Track Record Period:

	31 December	
	2016	**2017**
	HK$	*HK$*
Exchange and clearing fee	1,132,837	3,898,204
Information services expenses	1,720,993	2,082,913
Direct operating expenses arising from rental-earning investment properties	18,013	12,686
Direct operating expenses arising from leasehold land and buildings	260,445	335,237
Direct operating expenses arising from leased office premises	12,223	22,606
Operating lease payments in respect of office premises	196,524	526,719
Provision/(reversal of provision) for loss on guaranteed contracts with clients	384,802	(151,843)
Provision for long service payments	39,719	34,174
Auditor's remuneration	295,000	302,000
[REDACTED]	**[REDACTED]**	**[REDACTED]**
Insurance expenses	166,153	272,440
Entertainment and staff welfare expenses	1,308,854	1,506,118
Bank charges	223,735	302,494
Marketing expenses	80,759	538,817
Foreign exchange gain, net	(19,095)	(442,579)
Administrative expenses	955,668	1,166,396
Miscellaneous expenses	650,496	599,730
Total:	**[REDACTED]**	**[REDACTED]**

Comparison between FY2016 and FY2017

Our other operating expenses increased by HK$9.2 million or 117.6% from HK$7.8 million for the year 2016 to HK$17.1 million for the year 2017. Such increase was mainly due to the increase in exchange and clearing fee by HK$2.8 million, which in turn was attributable to the increase in our clients' trading volume mainly in the Hong Kong market; and the increase in **[REDACTED]** by **[REDACTED]**, offset by the increase in the net foreign exchange gain by **[REDACTED]** and the reversal of provision for loss on guaranteed asset management contracts by **[REDACTED]** instead of a provision for loss of **[REDACTED]** in the year 2016.

We were subject to three loss protection discretionary account management agreements for asset management services provided for each of the years 2016 and 2017. The amount of the provision for loss on those guaranteed contracts with clients is estimated based on the fair value of the portfolio of assets held at the end of the Relevant Periods. One guaranteed contract has expired in the year 2017. The remaining two guaranteed contracts are expected to expire on 23 April and 18 August 2018, respectively.

Finance costs

The table below sets forth the breakdown of our finance costs during the Track Record Period:

	31 December	
	2016	**2017**
	HK$	*HK$*
Interest expense on bank loans and overdrafts	1,157,106	1,495,882
Interest expense on client payables with no fixed repayment terms	50,321	74,575
Total:	1,207,427	1,570,457

Comparison between FY2016 and FY2017

Our finance cost increased by HK$0.4 million or 30.1% from HK$1.2 million for the year 2016 to HK$1.6 million for the year 2017. Such increase was mainly due to the increase in our bank borrowings which were mainly for funding our margin financing business.

Income tax expense

We are subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profit during the Track Record Period. Our effective tax rates (representing our income tax dividing our profit before tax for the corresponding year) for the years 2016 and 2017 were 20.0% and 16.8% respectively.

Comparison between FY2016 and FY2017

Our income tax expense increased by HK$1.8 million or 102.2% from HK$1.8 million for the year 2016 to HK$3.6 million for the year 2017. The increase was mainly due to the increase in profit before tax by HK$12.4 million from HK$8.9 million for the year 2016 to HK$21.2 million for the year 2017.

Profit for the year

Comparison between FY2016 and FY2017

Our net profit increased by HK$10.6 million or 148.8% from HK$7.1 million for the year ended 31 December 2016 to HK$17.7 million for the year 2017. Our net profit margin increased from 23.5% for the year 2016 to 31.3% in 2017. The increase in net profit was mainly due to (i) increase in brokerage income mainly derived from securities dealing by our clients in the Hong Kong market; (ii) placing commission income we derived from placing of debt securities as a placing agent for listed clients; (iii) revaluation gains on investment properties which were capital in nature and not subject to Hong Kong profits tax.

The increase in the net profit margin was mainly due to the increase in net profit resulting from the increased revenue for the year 2017. Due to the nature of our business, our major expenses are to a large extent fixed in nature (except for expenses directly correlated to trading turnover of our client such as commission expenses). Accordingly, an increase in our revenue will normally have a positive impact on our net profit margin.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs. Our working capital needs have been financed through funds generated from operations and bank borrowings. As at 31 December 2016 and 2017, we had cash and bank balances of HK$8.2 million and HK$9.0 million, respectively. Going forward, we expect to fund our working capital and other capital requirements with a combination of various sources, including but not limited to cash generated from our operations and the **[REDACTED]** from the **[REDACTED]**.

The table below sets forth a condensed summary of our consolidated statements of cash flow for the Track Record Period. Such summary of the consolidated statements of cash flow is extracted from the Accountants' Report set out in the Appendix I to this document and should be read in conjunction with the entire financial information included therein, including the notes thereto.

	31 December	
	2016	**2017**
	HK$	*HK$*
Cash flow generated from operating activities before changes in working capital and taxes paid	11,373,099	17,368,390
Net cash flows from operating activities	35,961,765	2,069,734
Net cash flows from investing activities	405,098	24,230,699
Net cash flows used in financing activities	(32,957,106)	(25,495,882)
Net increase in cash and cash equivalents	3,409,757	804,551
Cash and cash equivalents at beginning of year	4,784,981	8,194,738
Cash and cash equivalents at end of year	8,194,738	8,999,289

Cash flow from operating activities

Net cash flow from or used in our operating activities reflects our profit being adjusted mainly for the non-cash items (such as depreciation, revaluation gains on investment properties, movement of provision for loss on guaranteed contracts with clients etc.) and the effects of cash flows arising from the movements in working capital such as changes in trade receivables, prepayment and other receivables, trade payables, etc.

For the year 2016, our net cash from operating activities was HK$36.0 million. Such amount was derived from our profit before income tax expense generated from our operations of HK$8.9 million, mainly positively adjusted for the decrease in prepayment and other receivables by HK$26.1 million due to the full repayment of a facility loan granted to Victory Financial Group Company Limited by HK$24.0 million and increase in trade payables by HK$25.0 million mainly due to net sale transactions executed by our securities brokerage clients but not yet settled by us as at the year-end dates, partially offset by increase in trade receivables by HK$21.5 million mainly due to increase in net sale transactions executed by our securities brokerage clients but not yet settled by various external brokers of approximately HK$9.5 million and increase in receivables due from clearing house HK$11.7 million as at the year-end dates.

For the year 2017, our net cash from operating activities amounted to HK$2.1 million. Such amount was derived from our profit before income tax expense of HK$21.2 million, mainly negatively adjusted for the revaluation gains on investment properties of HK$4.5 million, increase in trade receivables by HK$187.5 million, gains on financial assets at fair value through profit or loss of HK$2.6 million, increase in prepayment and other receivables of HK$1.9 million, and partially offset by increase in trade payables by HK$171.7 million, increase in other payables and accruals of HK$2.6 million. The significiant increase in trade receivables and trade payables was mainly due to the significant increase in client money. A client deposited approximately HK$195.0 million in the securities accounts opened with us. Pursuant to client's instructions, we in turn placed all the client money with an external broker providing a platform for securities trading on the exchanges in the United States. As at the Latest Practicable Date, approximately HK$132.3 million of the client money was transferred back to our client trust account in Hong Kong pursuant to client's instructions. For further information, please refer to the sub-section headed "Trade Payables" in this section.

Cash flow from investing activities

During the Track Record Period, our cash outflow from or used in investing activities was principally the result of the purchases of financial assets at FVTPL and proceeds from disposal of financial assets at FVTPL.

Net cash from investing activities was HK$0.4 million for the year 2016. This was mainly due to the proceeds from disposal of available-for-sale financial assets of HK$0.4 million.

For the year 2017, our net cash from investing activities of HK$24.2 million was mainly attributable to the proceeds from disposal of a self-occupied property of HK$11.0 million and an investment property of HK$14.5 million.

Cash flow from financing activities

During the Track Record Period, our cash flow from or used in financing activities mainly included repayment of bank borrowings and dividends paid, which was offset by new bank borrowings.

Net cash used in financing activities of HK$33.0 million for the year 2016 was mainly the combination of net repayment of bank borrowings of HK$8.0 million, dividends paid of HK$20.8 million and repayment of subordinated loan of HK$3 million.

For the year 2017, the net cash used in financing activities of HK$25.5 million was mainly attributable to the net repayment of bank borrowings of HK$9.5 million and dividends paid of HK$14.5 million.

NET CURRENT ASSETS

The table below sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	31 December		31 March
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
			(unaudited)
CURRENT ASSETS			
Trade receivables	136,692,766	324,145,933	251,855,992
Financial assets at fair value through profit or loss	9,308,105	12,970,426	10,251,129
Prepayment and other receivables	1,938,369	3,840,033	9,042,531
Tax recoverable	328,655	—	—
Cash and cash equivalents	8,194,738	8,999,289	6,280,967
Total current assets	156,462,633	349,955,681	277,430,619
CURRENT LIABILITIES			
Trade payables	31,887,888	203,615,931	113,268,806
Other payables and accruals	3,069,010	5,680,870	4,782,476
Provisions	1,762,807	1,645,138	1,732,016
Bank borrowings	57,000,000	47,500,000	59,600,000
Tax payable	—	3,068,427	202,501
Total current liabilities	93,719,705	261,510,366	179,585,799
NET CURRENT ASSETS	62,742,928	88,445,315	97,844,820

Our current assets as at 31 December 2016 and 2017 mainly comprised trade receivables, financial assets at FVTPL, prepayment and other receivables and cash and cash equivalents. Our current liabilities mainly comprised bank borrowings and trade payables.

Our net current assets increased from HK$62.7 million as at 31 December 2016 to HK$88.4 million as at 31 December 2017. The increase was primarily due to (i) the increase in trade receivables by HK$187.5 million, (ii) net repayment of bank borrowings by HK$9.5 million, and offset by the increase in trade payables by HK$171.7 million. The significant increase in trade receivables and trade payables was mainly due to the increase in client money. A client deposited approximately HK$195.0 million in the securities accounts opened with us, Pursuant to client's instructions, we in turn placed all the client money with an external broker who provides a platform for securities trading on the exchanges in the United States. As at the Latest Practicable Date, approximately HK$132.3 million of the client money was transferred back to our client trust account in Hong Kong pursuant to client's instructions. For further information, please refer to the sub-section headed "Trade Payables" in this section.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade receivables

The table below sets forth the breakdown of trade receivables as at the dates indicated:

	31 December	
	2016	**2017**
	HK$	*HK$*
Margin client receivables	80,090,708	96,225,363
Cash client receivables	22,116,055	19,903,965
Clearing house receivables	11,867,207	7,369,383
Broker receivables	22,618,796	200,647,222
Total:	136,692,766	324,145,933

Margin client receivables relate to securities purchases on credit by clients having margin accounts with us. The margin loans, repayable to us on demand, are normally pledged with securities as collateral to us. There is no specific repayment term for margin loans. The amount of credit facilities granted to margin clients is determined by the discounted value of securities we accept . The increase in our margin client receivables was in line with the increase in our provision of margin financing. As at 31 December 2016 and 2017, the total market values of securities pledged as collateral in respect of the margin loans were HK$251.7 million and HK$349.3 million, respectively, which represented a loan-to-value ratio of 31.8% and 27.5%, respectively. The loan-to-value ratio is calculated as margin loan balance as at 31 December 2016 and 2017 divided by the market value of securities pledged to us as at the same date.

Due to the nature of margin loans, margin client receivables were included in the "neither past due nor impaired" category. The ageing and subsequent settlement status of such receivables as at a particular date is of no significance and not applicable.

Cash client receivables relate to purchase transactions by clients that are executed but not yet settled in cash pursuant to the T+2 settlement basis. For cash client balances not settled 2 days after execution of transactions, we charge overdue interests at interest rates normally at the same rate as margin financing interest rates. The fluctuation of our cash client receivables as at 31 December 2016 and 2017 was mainly driven by trading activities of our cash clients in the last two trade days before the respective dates.

Clearing house receivables represent the amount receivable from CCASS for sell transactions executed by clients but not yet settled in CCASS pursuant to the T+2 settlement basis. The fluctuation of our clearing house receivables as at 31 December 2016 and 2017 was mainly driven by trading activities of our clients in the last two trade days before the respective dates.

The ageing analysis of trade receivables arising from cash clients and clearing house at the end of each of the Relevant Periods are as follows:

	31 December	
	2016	**2017**
	HK$	*HK$*
Cash client receivables		
Neither past due nor impaired	21,589,019	18,475,868
Past due but not impaired		
– Less than 1 month past due	—	1,113,490
– Over 1 month but less than 3 months	9,419	945
– Over 3 month but less than 12 months	39,393	3,980
– Over 12 month but less than 2 years	36,850	6,283
– Over 2 years	441,374	303,399
	22,116,055	19,903,965
Clearing house receivables		
Neither past due nor impaired	11,867,207	7,369,383

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with us. In the opinion of our Directors, all the past due receivables are expected to be recovered within one year.

Broker receivables represent the deposits placed with various independent local and international brokers which provide brokerage services for securities traded on exchanges in the United States, Australia, Canada and Singapore. The increase in broker receivables as at 31 December 2016 and 2017 was mainly due to a client who deposited approximately HK$195.0 million in securities accounts opened with us. Pursuant to client's instructions, we in turn placed all the client money with our external brokers who provide a platform for securities trading on the exchanges in the United States. For further information, please refer to the sub-section headed "Trade Payables" in this section.

Financial assets at fair value through profit or loss

The table below sets forth the breakdown of financial assets at fair value through profit or loss as at the dates indicated:

	31 December	
	2016	**2017**
	HK$	*HK$*
Investments designated at fair value through profit or loss:		
Listed equity securities — Hong Kong	9,308,105	12,970,426
	(note 1)	*(note 2)*

Notes:

1: comprised of 1 blue-chip security.

2: predominantly comprised of 1 blue-chip security. The remainder comprised of a Main Board listed security.

The increase in financial assets at FVTPL from HK$9.3 million as at 31 December 2016 to HK$13.0 million as at 31 December 2017 was mainly due to the unrealised gain on a blue-chip security and the acquisition of a Main Board listed security.

Prepayment and other receivables

The table below sets forth the breakdown of prepayments and other receivables as at the dates indicated:

	31 December	
	2016	**2017**
	HK$	*HK$*
Prepayment, other debtors and deposits	1,114,730	1,863,723
[REDACTED]	**[REDACTED]**	**[REDACTED]**
Loans to employees[1]	798,946	—
Due from related companies	—	1,086[2]
Due from directors	24,500	—
Due from holding company	193	45,058[2]
Total:	**[REDACTED]**	**[REDACTED]**

Notes:

1. The loans were granted to employees under special circumstances such as funding a cardiac surgery, preparing for wedding matters, purchasing and renovation of property. The loans to employees were not trade in nature. The related policy in granting loans to employees is as follows: (i) the limit of the loan to each employee is HK$500,000; (ii) the loan shall only be granted to employees who have outstanding performance and worked in the Group for over 3 years; and (iii) the loan shall only be granted under special circumstances which are considered appropriate by the board of directors of Victory Securities (HK). The term of the loans ranges from six months to five years and the loans are interest-free. This arrangement will not continue after **[REDACTED]** and the loans to employees have been fully repaid by all the relevant employees as at the Latest Practicable Date.

2. The amounts due from related companies and the holding company will be settled before the **[REDACTED]**.

The increase in the overall balance from **[REDACTED]** as at 31 December 2016 to **[REDACTED]** as at 31 December 2017 was mainly due to (i) the recognition of **[REDACTED]** of **[REDACTED]** as at 31 December 2017; (ii) the increase in the CCASS settlement deposits of HK$0.7 million as at 31 December 2017 arising from the increase in trading volume of securities listed on the Stock Exchange, and eligible shares under Shanghai Connect and Shenzhen Connect; and offset by the loans to employees of HK$0.8 million being fully repaid in the year 2017.

Cash and cash equivalents

Our cash and cash equivalents increased from HK$8.2 million as at 31 December 2016 to HK$9.0 million as at 31 December 2017. We receive and hold money deposited by our clients during the course of conducting our business, and maintain segregated accounts with banks to hold client money, which was not otherwise dealt with in our historical financial information for the Track Record Period. Client money increased from HK$105.9 million as at 31 December 2016 to HK$305.2 million as at 31 December 2017 mainly due to an increase in the deposit driven by increased number of securities broking clients and the increase in their trading volume.

Trade payables

The table below sets forth the breakdown of trade payables as at the dates indicated:

	31 December	
	2016	**2017**
	HK$	*HK$*
Margin and cash client payables	26,127,425	202,025,329
Due to clearing house	5,760,463	1,590,602
Total:	31,887,888	203,615,931

Trade payables from margin and cash client payables relate to sale transactions by those clients that have been executed but not yet settled in cash pursuant to the T+2 settlement basis with the amount of money deposited in segregated accounts as at the dates indicated. The majority of the trade payables to clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities. Only the amounts in excess of the required margin collateral are repayable on demand.

Trade payables due to clearing house relates to the amounts payable to CCASS for purchase transactions executed by our clients but not yet settled in CCASS pursuant to the T+2 settlement basis as at the dates indicated.

The increase in trade payables from HK$31.9 million as at 31 December 2016 to HK$203.6 million as at 31 December 2017 was mainly due to the increase in the client money, offset by the decrease in the clearing house payables by HK$4.2 million arising from the decrease in the amount of client-executed purchase transactions not yet settled with the clearing house. A client deposited approximately HK$195.0 million in securities accounts opened with us. The ultimate beneficial owner of such client is a businessman with over 15 years experience in the securities and brokerage industry. Pursuant to client's instructions, we in turn placed the fund with an external broker providing a platform for securities trading on the exchanges in the United States. As at the Latest Practicable Date, approximately HK$132.3 million of the client money was transferred back to our client trust account in Hong Kong pursuant to client's instructions.

Our Group performed 'know your client' ("**KYC**") and anti-money laundering ("**AML**") related due diligence process to ascertain the client's identity and background and origin of funds prior to accepting it as a client and the funds. The client completed our client trading agreement and professional investor evaluation questionnaire, which provides necessary information on the client's identity and background. We also retained documentation in relation to the origin of funds. Based on the findings of the KYC and AML due diligence procedures, our Directors' assessment of the client's background and origin of funds, and the fact that the client was a referral from another brokerage house and the funds were transferred from banks in Hong Kong into Victory Securities (HK)'s bank account in Hong Kong, the Directors were not aware of, nor had any reasonable grounds to believe that the transactions with the client involved any money laundering or other illegal activities.

We have also engaged an independent internal control advisor to conduct a review of our Group's KYC and AML due diligence process on the said client in February 2018. The internal control advisor has not raised any material issue in its report relating to our KYC and AML due diligence process in relation to the said client.

Having conducted its own due diligence on the client and having considered the findings of the independent internal control advisor, the Sponsor concurs with the Directors' conclusion that they were not aware of, nor had any reasonable grounds to believe that the transactions with the client (i.e. the deposits of HK$195 million in its securities accounts opened with the Group) involved any money laundering or other illegal activities.

Other payables and accruals

The table below sets forth the breakdown of our other payables and accruals during the Track Record Period:

	31 December	
	2016	**2017**
	HK$	*HK$*
Other payables and accruals	2,903,880	5,680,870
Due to related companies	45,130	—
Due to directors	120,000	—
Total:	3,069,010	5,680,870

Our other payables and accruals mainly comprised the accrued operating expenses including staff's year-end bonus, fund managers' bonus, commission to account executives and trading fee and levy payables to the Stock Exchange. The increase in the overall balance by HK$2.6 million from HK$3.1 million as at 31 December 2016 to HK$5.7 million as at 31 December 2017 was mainly due to the (i) increase in the accrual of staff's bonus of HK$1.4 million; (ii) increase in the commission expenses payable to licensed employees and account executives of HK$0.6 million; and (iii) increase in trading fee and trading levy payable to the Stock Exchange of HK$0.8 million.

INDEBTEDNESS

Borrowings

The table below sets forth the breakdown of our total borrowings as at the dates indicated:

	31 December		31 March
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
			(unaudited)
Secured:			
Variable rate bank borrowings	57,000,000	47,500,000	59,600,000

Secured variable rate bank borrowings

During the Track Record Period, our bank borrowings consisted of short-term bank loans. As at 31 December 2016 and 2017, we had drawn HK$57.0 million and HK$47.5 million, under our aggregate banking facilities of HK$196.5 million and HK$190 million, respectively. The decrease in our bank borrowings was primarily due to surplus cash and cash equivalents on hand which we utilised part of which to repay the bank borrowings.

Our bank borrowings as at 31 December 2016 and 2017 were secured by charges over margin clients' pledged securities with fair value of HK$70.9 million and HK$71.5 million, respectively with client's authorisation, as well as secured by charges over our own properties with fair value of HK$76.2 million and HK$58.0 million, respectively.

Ms. Kou guaranteed our aggregate banking facilities. All guarantees from Ms. Kou for our bank borrowings will be released upon the **[REDACTED]**.

As at 31 March 2018, our variable rate borrowings increased to HK$59.6 million from HK$47.5 million as at 31 December 2017 primarily due to the increase in clients' demand for our Group's financial services and hence increased the demand for short-turn bank loan. As at 31 March 2018, our aggregate banking facilities amounted to HK$190.0 million.

The interest rate of our borrowings as at 31 December 2016 and 2017, ranged from one-week Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.9% to 2.25%.

As at the Latest Practicable Date, there was no material covenant relating to our bank borrowings. Our Directors confirm that there was no breach of any covenant under our bank borrowings during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to Latest Practicable Date, our Directors confirm that, to the best of their knowledge, they did not experience any difficulty in obtaining bank borrowings, any default in payment on bank borrowings or any breach of finance covenants and that they do not foresee any difficulty for us to obtain bank borrowings after the Latest Practicable Date.

Our Directors also confirmed that as at the Latest Practicable Date, there are no material external debt financing, other than those already disclosed in this section and the possible renewal of the existing short-term bank loans that we may obtain from time to time for the purpose of provision of financing services to our clients.

Our Directors confirm that save as disclosed above and in the paragraph headed "Recent Development and Material Adverse Change" in this section, up to the Latest Practicable Date, there has been no material adverse change in our indebtedness since the Track Record Period.

WORKING CAPITAL

Historically, we have met our working capital and other liquidity requirements principally from cash generated from our operations and bank borrowings. After taking into account the cash flows from the operating activities and the existing financial resources available to us, and the estimated **[REDACTED]** from the issue of Shares under the **[REDACTED]**, our Directors are of the opinion that we have sufficient working capital for its present requirements for at least the next twelve months from the date of this document.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios during the Track Record Period:

	31 December	
	2016	**2017**
Net profit margin before interest and tax *(Note 1)*	33.3%	40.4%
Net profit margin *(Note 2)*	23.5%	31.3%
Return on equity *(Notes 3 and 9)*	5.2%	12.3%
Return on total assets *(Notes 4 and 9)*	3.0%	4.3%

	31 December	
	2016	**2017**
	HK$	*HK$*
Current ratio *(Note 5)*	1.7	1.3
Quick ratio *(Note 6)*	1.7	1.3
Gearing ratio *(Note 7)*	42.0%	33.1%
Debt to equity ratio *(Note 8)*	36.0%	26.8%

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit before interest and tax divided by total revenue for the year multiplied by 100%.

2. Net profit margin is calculated by dividing the net profit for the year by total revenue for the year and multiplied by 100%.

3. Return on equity equals to net profit for the year divided by total equity at the end of the year and multiplied by 100%.

4. Return on assets equals to net profit for the year divided by total assets at the end of the year and multiplied by 100%.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

6. Quick ratio is calculated based on the total current assets netting of inventories divided by the total current liabilities as at the end of the year.

7. Gearing ratio is calculated by dividing the sum of borrowings by the total equity as at the end of each year and multiplied by 100%.

8. Debt to equity ratio is calculated by netting off the sum of borrowings with cash and cash balances (but excluding restricted cash) then divided by the total equity as at the end of each year and multiplied by 100%.

Net profit margin before interest and tax and net profit margin

Our net profit margin before interest and tax increased from 33.3% for the year ended 31 December 2016 to 40.4% for the year ended 31 December 2017. Our net profit margin increased from 23.5% for the year ended 31 December 2016 to 31.3% for the year ended 31 December 2017.

The increase in the net profit margin before interest and tax, and our net profit margin, was mainly due to the increase in revenue for the year 2017. Due to the nature of our business, our major expenses are to a large extent fixed in nature (except for expenses directly correlated to trading turnover of our client, such as commission expenses and exchange and clearing fee). Accordingly, an increase in our revenue will have a positive impact on our net profit margin before interest and tax, and our net profit margin.

Return on equity

Our return on equity increased from 5.2% for the year ended 31 December 2016 to 12.3% for the year ended 31 December 2017 mainly due to an increase in net profit by 148.8%, whereas our overall equity increased by 5.7% only, leading to an increase in our return on equity.

Return on total assets

Our return on total assets increased from 3.0% for the year ended 31 December 2016 to 4.3% for the year ended 31 December 2017. The increase was mainly due to an increase in net profit by 148.8%, whereas our overall total assets rose by 74.4% only, leading to a rise in our return on total assets.

Current ratio and Quick ratio

Our quick ratio is the same as our current ratio, since we did not have any inventory during the Track Record Period. Our current ratio and quick ratio remained stable at 1.7 and 1.3 as at 31 December 2016 and 2017, respectively.

Gearing ratio

Our gearing ratio decreased from 42.0% as at 31 December 2016 to 33.1% as at 31 December 2017. The decrease was mainly due to the net repayment of bank borrowings of HK$9.5 million and the increase in our overall equity by HK$7.7 million during the year 2017.

Debt to equity ratio

Our debt to equity ratio decreased from 36.0% as at 31 December 2016 to 26.8% as at 31 December 2017. The decrease was mainly due to the net repayment of bank borrowings by HK$9.5 million and the increase in our overall equity by HK$7.7 million during the year 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables/payables from/to foreign brokers and foreign currency deposits with banks. Our Directors consider that the currency risk is not significant as the assets and liabilities are mainly denominated in United States dollars and Hong Kong dollars.

We are mainly exposed to currency risk arisen from RMB. As at 31 December 2016 and 2017, if RMB had strengthened or weakened by 50 basis points against HK$ with all other variables held constant, our profit before tax would have increased or decreased by HK$31,000 and HK$99,000, respectively, mainly as a result of foreign exchange impact arising from net position of RMB denominated assets and liabilities.

Cash flow and fair value interest rate risks

We monitor our interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. Most of our interest-bearing assets and liabilities are on a floating rate basis with maturity of one year or less. Interest rate risk primarily relates to the bank borrowings with variable interest rates which are collateralised by margin clients' securities.

As at 31 December 2016 and 2017, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease profit for the year and retained profits by HK$531,000 and HK$780,000, respectively.

Price risk

We are exposed to equity price risk through investments in equity securities. Our management manages the exposure by closely monitoring the portfolio of equity investments.

If the equity price of financial assets at fair value through profit or loss had been 5% higher/lower, with all other variables held constant, our profit after tax for the years ended 31 December 2016 and 2017 would have increased/decreased by HK$465,000 and HK$649,000, respectively.

Credit risk

Our exposure to credit risk was due to failure of the counter parties to discharge their obligation.

In order to minimise the credit risk, our management has delegated a team responsible to compile the credit and risk management policies, to approve credit limits and determine any debt recovery action on those delinquent receivables. In addition, we hold collateral to cover its credit risks associated with its trade receivables from margin clients and reviews the recoverable amount for each individual trade receivable to ensure that adequate allowance for impairment is made for irrecoverable amounts at the end of each Track Record Period. Our Directors consider that our credit risk is effectively controlled and significantly reduced.

At the end of 31 December 2016 and 2017, we have concentration of credit risk on trade receivables of 17% and 7%, respectively, of the total trade receivables due from the top five largest clients (excluding brokers); and 17% and 62%, respectively, of the total trade receivables due from an external broker, which is registered with the United States Securities and Exchange Commission as a broker dealer.

Liquidity risk

As part of its ordinary broking activities, we are exposed to liquidity risk arising from the timing difference between settlement with clearing house, brokers and clients. Our policy is to regularly monitor our liquidity requirements and in compliance with regulatory requirements, to ensure that we maintain sufficient reserves of cash, banking facilities and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meets our liquidity requirements in the short and longer term.

As at 31 December 2016 and 2017, our available unutilised bank overdrafts and revolving loan facilities aggregated to HK$139.5 million and HK$142.5 million, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, except for the operating lease commitment set forth above, we neither entered into any other off-balance sheet commitments to guarantee the payment obligations of any third parties nor any off-balance sheet financial guarantees.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 37 to the Accountants' Report set out in the Appendix I to this document. Our Directors confirm that these transactions were conducted on arm's length basis, normal commercial terms and were no more favourable than terms available to Independent Third Parties, and are considered fair and reasonable.

Having considered that the amounts of these related party transactions are immaterial, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

PROPERTY INTERESTS

Particulars of our property interests are set out in Appendix III to this document. C S Surveyors Limited has valued the properties we own as at the Latest Practicable Date. A summary of valuations and valuation certificates issued by C S Surveyors Limited are included in Appendix III to this document.

CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our capital expenditures primarily comprised of expenditures on computer equipment and motor vehicles. We incurred capital expenditures of HK$0.1 million and HK$0.4 million for the years ended 31 December 2016 and 2017. We principally funded our capital expenditures through cash flow generated from operating activities before changes in working capital and taxes paid.

Planned capital expenditures

Save for the planned usage of the **[REDACTED]** from the **[REDACTED]** as disclosed in the section headed "Business objectives and future plans" in this document, we had no material planned capital expenditures as at the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

As at 31 December 2016 and 2017, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Operating lease arrangements

	31 December	
	2016	**2017**
	HK$	*HK$*
Within one year	551,000	480,000
In the second to fifth year inclusive	—	560,000
Total:	551,000	1,040,000

The operating lease commitments as at 31 December 2016 and 2017 mainly represented commitments for the rental of our offices in Sheung Wan. The tenancy of one Sheung Wan office expired in 2017, and we entered into a new tenancy of another Sheung Wan office premise of a higher monthly lease payment. The new tenancy will expire in 2020.

DISTRIBUTABLE RESERVES

As at 31 December 2017, we had retained earnings of HK$8.7 million available for distribution to our then Shareholders.

DIVIDENDS

Pursuant to the resolutions passed at the board meeting of Victory Securities (HK), Victory Securities (HK) declared and paid cash dividends in an amount of HK$20.8 million for the year 2016 and HK$14.5 million for the year ended 31 December 2017 to all its then shareholders.

Pursuant to a shareholder's resolution on 12 February 2018, we further declared dividends in the amount of HK$8.0 million to our then shareholders.

After completion of the **[REDACTED]**, 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 the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. As these factors and the payment of dividends is 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. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

CONTINGENT LIABILITIES

As at 31 March 2018, being the latest practicable date for the purpose of this statement of indebtedness, we did not have any guarantees or other material contingent liabilities.

Our Directors confirm that, other than disclosed in this document, there had been no material change in our indebtedness and contingent liabilities since 31 March 2018 to the date of this document.

[REDACTED]

Our Directors are of the view that our financial results for the year ending 31 December 2018 is expected to be adversely affected by, among others, the **[REDACTED]** in relation to the **[REDACTED]**, the nature of which is non-recurring. **[REDACTED]** directly attributable to issuing the **[REDACTED]** are recognised in equity, while other **[REDACTED]** are recognised as other operating expenses in our consolidated statements of profit or loss. The total **[REDACTED]** in relation to the **[REDACTED]**, primarily consisting of fees paid or payable to professional parties and **[REDACTED]** commission payable to the **[REDACTED]**, are estimated to be **[REDACTED]** (based on the mid-point of the indicative **[REDACTED]** range). Among the estimated total **[REDACTED]**,

(i) **[REDACTED]** is expected to be accounted for as a deduction from equity upon **[REDACTED]**; (ii) **[REDACTED]** is expected to be recognised as expenses in our consolidated statements of profit or loss, of which **[REDACTED]** and **[REDACTED]** was charged to the consolidated statements of profit or loss for the year 2016 and the year 2017 respectively.

Our Directors would like to emphasise that the amount of the **[REDACTED]** is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements for the year ending 31 December 2018 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that our financial performance for the year ending 31 December 2018 is expected to be adversely affected by the estimated non-recurring **[REDACTED]** mentioned above, and may or may not be comparable to our financial performance in the past.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

EVENTS AFTER THE BALANCE SHEET DATE

For details of the events after 31 December 2017, being the date to which our latest audited financial information was prepared, see Note 39 to the Accountants' Report set out in the Appendix I to this document.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

The impact of the **[REDACTED]** disclosed in the paragraph headed "**[REDACTED]**" in this section on our consolidated income statement is expected to result in or have resulted in material adverse changes in our financial or trading position or prospect since 31 December 2017, being the date to which our latest audited financial information was prepared.

Save as disclosed in the paragraph headed "**[REDACTED]**" in this section, our Directors confirm that as at the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 December 2017, being the date to which our latest audited financial information was prepared and there had been no event since 31 December 2017 which would materially and adversely affect the information shown in our consolidated financial information included in the Accountants' Report as set out in the Appendix I to this document.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For more information about our unaudited pro forma adjusted consolidated net tangible assets, please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this document.