
FINANCIAL INFORMATION OF YU MING

You should read the following discussion in conjunction with the financial information of Yu Ming included in the accountants' report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The financial information have been prepared in accordance with HKFRSs. The historical results of Yu Ming do not necessarily indicate results for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results of Yu Ming may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

The financial information of Yu Ming as of and for the three years ended 31 December 2016, 2017 and 2018 included in this prospectus is audited and there is no modified opinion in the accountants' report on Yu Ming.

OVERVIEW

Yu Ming is principally engaged in the provision of (i) corporate finance advisory services; and (ii) asset management services.

During the Track Record Period, the corporate finance advisory services provided by Yu Ming mainly included:

- (i) acting as financial adviser to advise listed issuers, shareholders and investors of listed issuers and entities on specific transactions in respect of the Listing Rules, the GEM Listing Rules and/or the Takeovers Code;
- (ii) acting as independent financial adviser to listed issuers to provide independent advice required under the Listing Rules, the Takeovers Code or other specific circumstances; and
- (iii) acting as financial adviser to listed issuers on retainer basis to advise listed issuers on corporate strategies and compliance with the Listing Rules, the GEM Listing Rules and Takeovers Code.

During the Track Record Period, Yu Ming provided asset management services solely to SHK.

The revenue of Yu Ming for the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK\$60.0 million, HK\$73.5 million and HK\$59.6 million, respectively. The net profit of Yu Ming for the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK\$35.1 million, HK\$41.7 million and HK\$36.1 million respectively.

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BASIS OF PREPARATION

The financial information of Yu Ming has been prepared based on accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of preparation as set out in note 2 of the Accountants' Report on Yu Ming contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

Yu Ming has performed an internal assessment of the early adoption of HKFRS 15 and HKFRS 9 compared with HKAS 18 and HKAS 39. The major impacts to Yu Ming are set out as followings:

HKFRS 15

Revenue is recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Yu Ming provides corporate finance advisory services and asset management services.

Advisory fee income from providing specified financial advisory and acting as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time Yu Ming has a present right to recognize payment as revenue from the customers for the service performed.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefits provided by Yu Ming's performance as it performs and the revenue can be measured reliably.

Commission based and other services are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time Yu Ming has a present right to recognize payment as revenue from the customers for the service performed.

Management fee income from provision of investment management services is recognised over time based on contractual terms specified in the underlying investment management agreement, as the customer simultaneously receives and consumes the benefits provided by Yu Ming's performance as it performs and the revenue can be measured reliably.

Performance fee income based on the performance of the investment company is a form of variable consideration in its contract with the customer to provide investment management services. Performance fee income is earned based on the performance of the

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investment company during the period, subject to the achievement of high water mark, in accordance with the respective terms set out in the investment management agreement. Performance fee income will not be recognised as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, or (b) the uncertainty associated with the variable consideration is subsequently resolved.

Under HKFRS 15, Yu Ming recognizes performance obligations that have not yet been satisfied but for which Yu Ming has received consideration as contract liabilities in the statement of financial position.

Yu Ming considers that the impact on the financial position and performance of Yu Ming would not be significant if HKAS 18 instead of HKFRS 15 had been applied.

HKFRS 9

HKFRS 9 replaces HKAS 39 and introduces new requirements for classification and measurement and impairment. Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: (i) Yu Ming's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Equity instruments would generally be measured at fair value through profit or loss unless Yu Ming elects to measure at fair value through other comprehensive income (without recycling, i.e. any gain/loss will be recorded in other comprehensive income and will not be reclassified to profit or loss, while the dividend is recognized through profit or loss) for equity investments that are not held for trading.

The adoption of HKFRS 9 has changed Yu Ming's accounting treatment for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires Yu Ming to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

Yu Ming considers that the impact on the financial position and performance of Yu Ming would not be significant if HKAS 39 instead of HKFRS 9 had been applied.

FACTORS AFFECTING THE RESULTS OF OPERATION OF YU MING

The results of operations of Yu Ming are subject to the influence of numerous factors, including those set out in the section headed "Risk Factors" in this prospectus.

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SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The financial information of Yu Ming has been prepared in accordance with HKFRSs, which requires the making of judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The assumptions and estimates are based on the historical experience and various other factors that the management of Yu Ming believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. Therefore, when reviewing the financial information of Yu Ming, you should consider the selection of critical accounting policies, the judgments and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in the conditions and assumptions of Yu Ming. The significant accounting policies, critical accounting judgement and estimates of Yu Ming are summarised in notes 4 and 5 to the financial information of Yu Ming included in the Accountants' Report on Yu Ming as set out in Appendix I to this prospectus.

RESULTS OF OPERATION

The following table presents the statement of profit or loss and other comprehensive income of Yu Ming during the Track Record Period, details of which are set out in the Accountants' Report on Yu Ming to Appendix I to this prospectus.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	60,048	73,515	59,577
Other net (loss)/income	(544)	886	521
Other net financial income	8,404	7,534	2,642
Employee benefit expense	(23,148)	(27,909)	(15,759)
Operating lease expense	(959)	(1,068)	(1,102)
Other operating expenses	(2,208)	(3,700)	(3,256)
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income	(773)	—	—
Profit before income tax	40,820	49,258	42,623
Income tax expense	(5,692)	(7,571)	(6,525)
Profit for the year	<u>35,128</u>	<u>41,687</u>	<u>36,098</u>

Revenue

Yu Ming is principally engaged in the provision of (i) corporate finance advisory services; and (ii) asset management services.

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Set out below is the breakdown of revenue by business activities of Yu Ming for the years ended 31 December 2016, 2017 and 2018.

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Corporate finance advisory	41,232	68.7	51,394	69.9	40,754	68.4
– <i>Specific financial advisory</i>	29,050	48.4	32,630	44.4	27,185	45.6
– <i>Independent financial adviser</i>	1,218	2.0	2,208	3.0	1,380	2.3
– <i>Retainer</i>	9,964	16.6	16,556	22.5	12,189	20.5
– <i>Commission based and other services</i>	1,000	1.7	–	0.0	–	0.0
Asset management	17,424	29.0	21,204	28.8	17,824	29.9
– <i>Management fee</i>	17,424	29.0	19,288	26.2	17,824	29.9
– <i>Performance fee</i>	–	0.0	1,916	2.6	–	0.0
Sundry income	1,392	2.3	917	1.3	999	1.7
Total	<u>60,048</u>	<u>100.0</u>	<u>73,515</u>	<u>100.0</u>	<u>59,577</u>	<u>100.0</u>

For the year ended 31 December 2017, revenue of Yu Ming increased by approximately 22.4% to approximately HK\$73.5 million as compared with that of 2016. The increase in revenue for 2017 was mainly driven by an increase in the fee income of corporate finance business from approximately HK\$41.2 million for the year ended 31 December 2016 to approximately HK\$51.4 million for the year ended 31 December 2017. The increase in revenue from corporate finance business in 2017 compared with that of 2016 was mainly due to (i) increase in average recognized revenue per corporate finance advisory transaction as 5 specific financial advisory engagements with contract sum amounting to HK\$3,000,000 or above (“High Value Engagements”) were recognized as revenue in 2017 while only 3 High Value Engagements were recognized as revenue in 2016; and (ii) increase in retainer engagements from 11 in 2016 to 16 in 2017.

For the year ended 31 December 2018, revenue of Yu Ming decreased by approximately 19.0% to approximately HK\$59.6 million as compared with that of 2017. The decrease in revenue for 2018 was mainly caused by the decrease in the fee income of corporate finance business from approximately HK\$51.4 million for the year ended 31 December 2017 to approximately HK\$40.8 million for the year ended 31 December 2018. The decrease in revenue from corporate finance business in 2018 compared with that of 2017 was mainly due to a drop in average recognized revenue per corporate finance advisory transaction as (i) only 4 High Value Engagements were recognized as revenue in 2018 while 5 High Value Engagements were recognized as revenue in 2017; and (ii) 3 retainer engagements were terminated in 2018 due to the commercial reasons of clients and the new retainer engagements entered into have lower monthly fee than the terminated engagements,

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and one engagement letter was renewed in 2018 at a lower monthly fee, resulting in the lower total fee from retainer engagements despite the total number of retainer engagements remained at 16 as year 2017.

The fee income from the asset management business of Yu Ming was solely derived from the provision of asset management services to SHK by Yu Ming pursuant to the Management Agreement. SHK is a connected person to Yu Ming during the Track Record Period. Details of the connected transaction are set out in the section headed “Past Connected Transactions” in this prospectus.

The following table sets out the breakdown of number of corporate finance transactions revenue derived from which have been recognised during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Number of engagements			
Specific transaction	28	20	23
Independent financial adviser	3	7	4
Retainer	11	16	16
Commission based and other services	1	–	–

Save for the provision of financial advisory service to Autobest Holdings Limited with a fee of HK\$2,000,000 in 2016, Sun Hung Kai Investment Services Limited with a fee of HK\$750,000 in 2017 and Manfield Chemical Holdings Limited with a fee of HK\$3,000,000 in 2018, Yu Ming did not generate any corporate finance advisory fee income from its connected persons during the Track Record Period. Details of these connected transactions are set out in the section headed “Past Connected Transactions” of this prospectus.

Other net (loss)/income

During the Track Record Period, the other net (loss)/income of Yu Ming was attributable to exchange gain resulting from its investment in debt securities denominated in foreign currencies, namely United States dollars and RMB.

Other net financial income

Other net financial income of Yu Ming mainly comprised interest income from financial assets at fair value through other comprehensive income and bank deposits, realised gain on redemption of financial assets at fair value through other comprehensive income, fair value loss on financial assets at fair value through profit or loss and dividend income.

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Set out below is the breakdown of the other net financial income of Yu Ming during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from financial assets at fair value through other comprehensive income	5,914	5,556	1,237
Interest income from bank deposits	<u>178</u>	<u>583</u>	<u>1,783</u>
Total interest income derived from financial assets not at fair value through profit and loss	6,092	6,139	3,020
Realised gain on redemption of financial assets at fair value through other comprehensive income	3,577	1,623	–
Fair value loss on financial assets at fair value through profit or loss	(2,143)	(273)	(378)
Dividend income	878	–	–
Sundry income	<u>–</u>	<u>45</u>	<u>–</u>
	<u><u>8,404</u></u>	<u><u>7,534</u></u>	<u><u>2,642</u></u>

Interest income from financial assets at fair value through other comprehensive income

Interest income from financial assets at fair value through other comprehensive income of approximately HK\$5.9 million, HK\$5.6 million and HK\$1.2 million for the years ended 31 December 2016, 2017 and 2018 respectively is attributable to the interest income from Yu Ming's investment in debt securities. The decrease in interest income from financial assets at fair value through other comprehensive income for the year ended 31 December 2018 was mainly due to no interest income from a listed debt security in the principal amount of US\$10 million redeemed in December 2017 and decrease in interest income from an unlisted debt security in the principal amount of RMB7 million as it was redeemed in May 2018.

Some of these interest income were generated from the bonds issued by Sun Hung Kai & Co. (BVI) Limited and UA Finance (BVI) Limited, which were connected persons to Yu Ming during Track Record Period. Details of such connected transactions are set out in the section headed "Past Connected Transactions" in this prospectus.

Fair value loss on financial assets at fair value through profit or loss

The fair value loss on financial assets at fair value through profit or loss of approximately HK\$2.1 million, HK\$0.3 million and HK\$0.4 million for the years ended 31 December 2016, 2017 and 2018 respectively is mainly attributable to Yu Ming's investment in equity securities.

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Net financial income generated from proprietary trading

During the Track Record Period, Yu Ming has engaged in proprietary trading of equity securities and fixed income products, selecting investment targets based on Yu Ming's own risks profile and investment cycle. The relevant income from the proprietary trading of Yu Ming was recorded in "Other net (loss)/income" and "Other net financial income" in the Accountants' Report on Yu Ming.

For illustration purpose only, set out below is the breakdown of the net financial income generated by Yu Ming's proprietary trading during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from financial assets at fair value through other comprehensive income	5,914	5,556	1,237
Interest income from bank deposits	<u>178</u>	<u>583</u>	<u>1,783</u>
 Total interest income derived from financial assets not at fair value through profit and loss	 6,092	 6,139	 3,020
 Realised gain on redemption of financial assets at fair value through other comprehensive income	 3,577	 1,623	 –
Fair value loss on financial assets at fair value through profit or loss	(2,143)	(273)	(378)
Exchange (loss)/gain, net	(544)	886	521
Dividend income	878	–	–
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income	<u>(773)</u>	<u>–</u>	<u>–</u>
 Net financial income generated from proprietary trading	 <u><u>7,087</u></u>	 <u><u>8,375</u></u>	 <u><u>3,163</u></u>

For the year ended 31 December 2017, Yu Ming recorded a net financial income generated from proprietary trading of approximately HK\$8.4 million compared with a net financial income of approximately HK\$7.1 million for the year ended 31 December 2016. Such increase was mainly due to (i) the decrease in fair value loss on financial assets at fair value through profit or loss to approximately HK\$0.3 million from a fair value loss on financial assets at fair value through profit or loss of approximately HK\$2.1 million for the year ended 31 December 2016; (ii) decrease in realised gain on redemption of financial assets at fair value through other comprehensive income to approximately HK\$1.6 million from approximately HK\$3.6 million for the year ended 31 December 2016; and (iii) an exchange gain of approximately HK\$0.9 million was recorded compared with an exchange loss of approximately HK\$0.5 million for the year ended 31 December 2016.

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For the year ended 31 December 2018, Yu Ming recorded a net financial income generated from proprietary trading of approximately HK\$3.2 million compared with a net financial income of approximately HK\$8.4 million for the year ended 31 December 2017. The decrease in net financial income generated from proprietary trading was mainly due to (i) the decrease in interest income from financial assets at fair value through other comprehensive income to approximately HK\$1.2 million from approximately HK\$5.6 million for the year ended 31 December 2017, which was partially offset by the increase in interest income from bank deposits from approximately HK\$0.6 million for the year ended 31 December 2017 to approximately HK\$1.8 million for the year ended 31 December 2018 and (ii) decrease in realised gain on redemption of financial assets at fair value through other comprehensive income from approximately HK\$1.6 million for the year ended 31 December 2017 to nil for the year ended 31 December 2018.

Employee benefit expenses

The table below sets out the breakdown of the employee benefit expenses of Yu Ming for the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	7,439	8,009	8,135
Discretionary bonuses	15,361	19,530	7,245
Pension cost – defined contribution plan	<u>348</u>	<u>370</u>	<u>379</u>
	<u>23,148</u>	<u>27,909</u>	<u>15,759</u>

Yu Ming's employee benefit expenses mainly consist of salaries, bonus and allowances as well as contributions to the mandatory provident fund for the employees of Yu Ming.

For the year ended 31 December 2017, employee benefit expenses increased by approximately 20.6% to approximately HK\$27.9 million. It was mainly attributable to the increase in discretionary bonuses reflecting the growth in revenue of Yu Ming in 2017 as compared to that of 2016.

For the year ended 31 December 2018, employee benefit expenses decreased by approximately 43.5% to approximately HK\$15.8 million. It was mainly attributable to decrease in discretionary bonuses reflecting the decrease in revenue of Yu Ming in 2018 as compared to that of 2017.

Gross profit

Gross profit is not applicable to Yu Ming due to its business nature.

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Operating lease and other operating expenses

The operating lease and other operating expenses mainly include rent and rates, entertainment expense and research service charges. The table below sets out the breakdown of the operating expenses of Yu Ming for the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Rents and rates	959	1,068	1,102
Entertainment expenses	340	262	302
Research service charges	418	425	435
Others	<u>1,450</u>	<u>3,013</u>	<u>2,519</u>
	<u>3,167</u>	<u>4,768</u>	<u>4,358</u>

Others mainly comprise legal and professional fee, building management fee, insurance expenses, utility expenses and various miscellaneous expenses.

For the year ended 31 December 2017, the operating lease and other operating expenses increased by approximately HK\$1.6 million from approximately HK\$3.2 million for the year ended 31 December 2016 to approximately HK\$4.8 million, mainly due to the increase in legal fee for litigations relating to Yu Ming.

For the year ended 31 December 2018, the operating lease and other operating expenses of approximately HK\$4.4 million is similar to that for the year ended 31 December 2017 of approximately HK\$4.8 million.

Profit before income tax

For the year ended 31 December 2017, Yu Ming's profit before income tax increased by approximately 20.7% to approximately HK\$49.3 million from approximately HK\$40.8 million for the year ended 31 December 2016. The increase in profit before income tax for 2017 was mainly due to increase in revenue as described in the sub-paragraph headed "Revenue" in this section above.

For the year ended 31 December 2018, Yu Ming's profit before income tax decreased by approximately 13.5% to approximately HK\$42.6 million from approximately HK\$49.3 million for the year ended 31 December 2017. The decrease in profit before income tax for 2018 was mainly due to decrease in revenue as described in the sub-paragraph headed "Revenue" in this section above.

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Income tax expense

Yu Ming's income tax expense includes provision for Hong Kong income tax expenses. The effective tax rate of Yu Ming is calculated as the income tax expense divided by the profit before income tax.

For the year ended 31 December 2016, the effective tax rate of Yu Ming of approximately 13.9% is lower than the standard tax rate of Hong Kong of 16.5% mainly due to adjustment for non-taxable income of change in fair value of securities of approximately HK\$0.9 million and bond interest income of approximately HK\$3.5 million.

For the year ended 31 December 2017, the effective tax rate of Yu Ming of approximately 15.4% is lower than the standard tax rate of Hong Kong of 16.5% mainly due to adjustment for non-taxable income of bond interest income of approximately HK\$0.3 million and exchange gain of approximately HK\$0.9 million.

For the year ended 31 December 2018, the effective tax rate of Yu Ming of approximately 15.3% is lower than the standard tax rate of Hong Kong of 16.5% mainly due to adjustment for non-taxable income of bank interest of approximately HK\$1.8 million, exchange gain of approximately HK\$0.5 million and bond interest income of approximately HK\$0.6 million.

The directors of Yu Ming confirm that Yu Ming has made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. Yu Ming is not subject to any dispute or potential dispute with any tax authorities. As at 31 December 2018, Yu Ming did not have any significant unrecognised deferred tax liabilities.

Profit for the year

For the year ended 31 December 2017, Yu Ming's profit for the year increased by approximately 18.7% to approximately HK\$41.7 million from approximately HK\$35.1 million for the year ended 31 December 2016. Yu Ming's net profit margin was approximately 56.7% for the year ended 31 December 2017. The increase in profit for 2017 was mainly due to a rise in revenue from corporate finance business in 2017 as a result of (i) increase in average recognized revenue per corporate finance advisory transaction as 5 High Value Engagements were recognized as revenue in 2017 while only 3 High Value Engagements were recognized as revenue in 2016; and (ii) increase in retainer engagements from 11 in 2016 to 16 in 2017.

For the year ended 31 December 2018, Yu Ming's profit for the year decreased by approximately 13.4% to approximately HK\$36.1 million from approximately HK\$41.7 million for the year ended 31 December 2017. Yu Ming's net profit margin was approximately 60.6% for the year ended 31 December 2018. The decrease in profit for 2018 was mainly due to a reduction in revenue from corporate finance business in 2018 as a result of a drop in average recognized revenue per corporate finance advisory transaction since (i) only 4 High Value Engagements were recognized as revenue in 2018 while 5 High Value Engagements were recognized as revenue in 2017; and (ii) 3 retainer engagements were terminated in 2018 due to the commercial reasons of clients and the new retainer

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engagements entered into have lower monthly fee than the terminated engagements, and one engagement letter was renewed in 2018 at a lower monthly fee, resulting in the lower total fee from retainer engagements despite the total number of retainer engagements remained at 16 as year 2017.

LIQUIDITY AND CAPITAL RESOURCES

Yu Ming's primary uses of cash are mainly to finance its operations and invest in securities. During the Track Record Period, Yu Ming's principal sources of liquidity and capital resources were cash from business operations and did not have any financing activities.

The following table summarises the cash and cash equivalents movements of Yu Ming during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before working capital changes	33,760	41,097	39,702
Net cash generated from operating activities	83,525	43,306	15,215
Net cash generated from investing activities	7,912	85,458	9,976
Net cash used in financing activities	–	(20,000)	(200,000)
Net increase/(decrease) in cash and cash equivalents	91,437	108,764	(174,809)
Cash and cash equivalents at the 1 January	<u>57,545</u>	<u>148,982</u>	<u>257,746</u>
Cash and cash equivalents at the 31 December	<u><u>148,982</u></u>	<u><u>257,746</u></u>	<u><u>82,937</u></u>

Cash flow from operating activities

Cash flow from operating activities reflects profit before income tax adjusted for (i) non-cash items such as depreciation, changes in fair value of financial assets at fair value through profit or loss; (ii) the effects of cash flows arising from increases or decreases in trade and other receivables and deposits paid and other payables and accrued expenses; and (iii) income and loss from investing activities such as interest income/dividend from financial assets and realised gain/loss from financial assets.

Operating activities recorded a net inflow of approximately HK\$83.5 million for the year ended 31 December 2016, a net inflow of approximately HK\$43.3 million for the year ended 31 December 2017 and a net inflow of approximately HK\$15.2 million for the year ended 31 December 2018.

For the year ended 31 December 2016, net cash generated from operating activities of approximately HK\$83.5 million was primarily due to (i) profit before income tax of approximately HK\$40.8 million; (ii) interest income from financial assets at fair value through other comprehensive income of approximately HK\$5.9 million; (iii) fair value loss

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on financial assets at fair value through profit or loss of approximately HK\$2.1 million; (iv) increase in trade and other receivables and deposits paid of approximately HK\$0.7 million; (v) change in financial assets at fair value through profit or loss of approximately HK\$37.1 million; (vi) increase in other payables and accrued expense of approximately HK\$6.9 million; (vii) payment for profit tax of approximately HK\$3.3 million; and (viii) increase in contract liabilities of approximately HK\$8.9 million.

For the year ended 31 December 2017, net cash generated from operating activities of approximately HK\$43.3 million was primarily due to (i) profit before income tax of approximately HK\$49.3 million; (ii) interest income from financial assets at fair value through other comprehensive income of approximately HK\$5.6 million; (iii) increase in other payables and accrued expenses of approximately HK\$4.1 million; (iv) change in balances with a fellow subsidiary of approximately HK\$2.1 million; (v) payment for profit tax of approximately HK\$11.8 million; and (vi) increase in contract liabilities of approximately HK\$11.9 million.

For the year ended 31 December 2018, net cash generated from operating activities of approximately HK\$15.2 million was primarily due to (i) profit before income tax of HK\$42.6 million; (ii) decrease in contract liabilities of approximately HK\$8.5 million; (iii) decrease in other payables and accrued expenses of approximately HK\$11.6 million; (iv) interest income from financial assets at fair value through other comprehensive income of approximately HK\$1.2 million; (v) interest income from bank deposits of approximately HK\$1.8 million; (vi) increase in trade and other receivables and deposits paid of approximately HK\$2.4 million; (vii) change in balances with a fellow subsidiary of approximately HK\$2.9 million and (viii) payment for profit tax of approximately HK\$6.8 million.

Cash flow from investing activities

Cash flow from investing activities of Yu Ming includes purchase of financial assets, interest income from financial assets and proceeds from disposal of financial assets and other investments.

Investing activities of Yu Ming incurred a net inflow of approximately HK\$7.9 million for the year ended 31 December 2016, a net inflow of approximately HK\$85.5 million for the year ended 31 December 2017 and a net inflow of approximately HK\$10.0 million for the year ended 31 December 2018.

For the year ended 31 December 2016, net cash generated from investing activities of approximately HK\$7.9 million was primarily due to (i) proceeds from redemption of debt securities of approximately HK\$77.6 million; (ii) purchase of debt securities of approximately HK\$77.6 million; and (iii) interest received from debt securities of approximately HK\$8.0 million.

For the year ended 31 December 2017, net cash generated from investing activities of approximately HK\$85.5 million was mainly due to interest received from debt securities of approximately HK\$7.4 million and proceeds from redemption of debt securities of approximately HK\$78.1 million.

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For the year ended 31 December 2018, net cash generated from investing activities of approximately HK\$10.0 million was mainly due to proceeds from redemption of a debt security of approximately HK\$8.7 million and interest received from debt securities of approximately HK\$1.4 million.

Cash flow from financing activities

Save for the payment of dividend of HK\$20 million for the year ended 31 December 2017 and dividend of HK\$200 million for the year ended 31 December 2018, Yu Ming did not have any financing activities during the Track Record Period.

Capital expenditure

For the years ended 31 December 2016, 2017 and 2018, the capital expenditure of Yu Ming amounted to approximately HK\$64,000, HK\$23,000 and HK\$55,000 respectively for purchase of office equipment.

As at 31 December 2018, Yu Ming did not have any capital commitment.

Foreign exchange liabilities

The revenue of Yu Ming is denominated in Hong Kong dollars and Yu Ming's accounts are prepared in Hong Kong dollars. As such, the exposure to the risk of foreign exchange rate fluctuations for Yu Ming is not material.

Yu Ming recorded net foreign exchange loss of approximately HK\$0.5 million, net foreign exchange gain of approximately HK\$0.7 million and net foreign exchange gain of approximately HK\$0.3 million for the years ended 31 December 2016, 2017 and 2018 respectively, mainly attributable to Yu Ming's investment in debt securities denominated in foreign currencies.

Financial resources

Yu Ming's operations and investments have been financed by net cash generated from its business operations. As at 31 December 2018, Yu Ming had cash and cash equivalents of approximately HK\$82.9 million.

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STATEMENT OF FINANCIAL POSITION

Highlights of statement of financial position

	As at 31 December		
	2016	2017	2018
	<i>HK'000</i> <i>(audited)</i>	<i>HK'000</i> <i>(audited)</i>	<i>HK'000</i> <i>(audited)</i>
Total assets	260,159	296,335	111,750
Total liabilities	31,497	45,206	25,164
Net current assets	<u>126,345</u>	<u>234,095</u>	<u>70,197</u>
 Net assets	 228,662	 251,129	 86,586

The net assets of Yu Ming increased from approximately HK\$228.7 million as at 31 December 2016 to approximately HK\$251.1 million as at 31 December 2017 mainly due to increase in reserve as a result of net profit of approximately HK\$41.7 million was recorded in 2017, offsetting by the payment of cash dividend of HK\$20 million during the year.

The net assets of Yu Ming decreased from approximately HK\$251.1 million as at 31 December 2017 to approximately HK\$86.6 million as at 31 December 2018 mainly due to the net effect of payment of cash dividend of HK\$200 million and the net profit of approximately HK\$36.1 million recorded in 2018.

Details of the assets and liabilities of Yu Ming during the Track Record Period are set out below.

Non-current assets

The following table sets out the non-current assets of Yu Ming as at 31 December 2016, 2017 and 2018.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	97	54	76
Financial assets at fair value through other comprehensive income	102,170	16,925	16,263
Other assets	50	50	50
Trade and other receivables and deposits paid	<u>–</u>	<u>5</u>	<u>–</u>
	<u>102,317</u>	<u>17,034</u>	<u>16,389</u>

FINANCIAL INFORMATION OF YU MING

Property, plant and equipment

During the Track Record Period and up to the Latest Practicable Date, Yu Ming does not own any properties. The carrying value of the property, plant and equipment is attributable to office equipment.

Financial assets at fair value through other comprehensive income (non-current)

Set out below is the breakdown of Yu Ming's financial assets at fair value through other comprehensive income.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Listed debt securities	94,319	16,925	16,263
Unlisted debt securities	<u>7,851</u>	<u>—</u>	<u>—</u>
	<u>102,170</u>	<u>16,925</u>	<u>16,263</u>

As at 31 December 2017, the value of Yu Ming's investment in non-current debt securities decreased from approximately HK\$102.2 million as at 31 December 2016 to approximately HK\$16.9 million due to debt securities of approximately HK\$8.5 million be reclassified from non-current assets to current assets and debt securities of approximately HK\$77.5 million, which was classified as non-current assets in 2016, was redeemed in 2017.

As at 31 December 2018, the value of Yu Ming's investment in debt securities was approximately HK\$16.3 million which was similar to that of approximately HK\$16.9 million as at 31 December 2017.

Yu Ming will before Acquisition Completion declare and pay dividend in form of cash and distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million.

FINANCIAL INFORMATION OF YU MING

Net current assets

The following table sets out the net current assets of Yu Ming as at 31 December 2016, 2017 and 2018.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets			
Financial assets at fair value through other comprehensive income	–	8,461	–
Trade and other receivables and deposits paid	2,439	2,936	5,294
Financial assets at fair value through profit or loss	1,028	755	377
Amount due from a fellow subsidiary	5,393	7,462	4,575
Taxation recoverable	–	1,941	2,178
Cash and cash equivalents	<u>148,982</u>	<u>257,746</u>	<u>82,937</u>
	<u>157,842</u>	<u>279,301</u>	<u>95,361</u>
Current liabilities			
Contract liabilities	13,045	24,909	16,456
Other payables and accrued expenses	15,889	19,962	8,315
Amount due to a holding company	295	335	393
Taxation payable	<u>2,268</u>	<u>–</u>	<u>–</u>
	<u>31,497</u>	<u>45,206</u>	<u>25,164</u>
Net current assets	<u><u>126,345</u></u>	<u><u>234,095</u></u>	<u><u>70,197</u></u>

Financial assets at fair value through other comprehensive income (current)

As at 31 December 2017, debt securities in the amount of approximately HK\$8.5 million was reclassified as current portion of financial assets at fair value through other comprehensive income from non-current portion of financial assets at fair value through other comprehensive income as at 31 December 2016, and was subsequently redeemed in 2018.

FINANCIAL INFORMATION OF YU MING

Trade and other receivables and deposits paid

Set out below is the breakdown of Yu Ming's trade and other receivables and deposits paid.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Prepayment	–	5	–
Current			
Trade receivables	2,118	2,406	4,738
Other receivables	73	248	258
Prepayment	30	36	52
Rental and utility deposits	<u>218</u>	<u>246</u>	<u>246</u>
	<u>2,439</u>	<u>2,936</u>	<u>5,294</u>
	<u><u>2,439</u></u>	<u><u>2,941</u></u>	<u><u>5,294</u></u>

Trade and other receivables of Yu Ming mainly comprises trade receivables from corporate finance business of approximately HK\$2.1 million, HK\$2.4 million and HK\$4.7 million as at 31 December 2016, 2017 and 2018 respectively.

The credit terms of trade receivables of Yu Ming are applied to its customers according to industry practice together with consideration of the customers' creditability, repayment history and years of establishment. The following is an ageing analysis of trade receivables presented based on the invoice date.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	781	151	3,882
Over 30 but within 60 days	530	50	150
Over 60 days	<u>807</u>	<u>2,205</u>	<u>706</u>
	<u>2,118</u>	<u>2,406</u>	<u>4,738</u>
	<u><u>2,118</u></u>	<u><u>2,406</u></u>	<u><u>4,738</u></u>

During the Track Record Period, Yu Ming did not make any loss allowance for expected credit losses on its trade receivables. All of the balance as at 31 December 2016 and 2017 were subsequently settled. Approximately HK\$1.3 million of trade receivables as at 31 December 2018 were settled by the Latest Practicable Date.

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Financial assets at fair value through profit or loss

As at 31 December 2016, 2017 and 2018, the financial assets at fair value through profit or loss of Yu Ming of approximately HK\$1.0 million, HK\$0.8 million and HK\$0.4 million respectively is attributable to listed equity securities held for trading.

Yu Ming will before Acquisition Completion declare and pay dividend in form of cash and distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million.

Amount due from a fellow subsidiary

The amount due from a fellow subsidiary of approximately HK\$5.4 million, HK\$7.5 million and HK\$4.6 million as at 31 December 2016, 2017 and 2018 is mainly attributable to management fee and performance fee payable by SHK to Yu Ming.

Cash and cash equivalents

Cash and cash equivalents of Yu Ming comprise cash on hand and at banks and short term time deposits.

As at 31 December 2017, the cash and cash equivalent increased from approximately HK\$149.0 million as at 31 December 2016 to approximately HK\$257.7 million mainly due to the payment of dividend of HK\$20.0 million which offset the cash generated from operating activities and investing activities in 2017.

As at 31 December 2018, the cash and cash equivalent decreased from approximately HK\$257.7 million as at 31 December 2017 to approximately HK\$82.9 million mainly due to the payment of dividend of HK\$200.0 million which offset the cash generated from operating activities and investing activities in 2018.

Contract liabilities

The contract liabilities of approximately HK\$13.0 million, HK\$24.9 million and HK\$16.5 million as at 31 December 2016, 2017 and 2018 respectively mainly relate to the advance consideration received from customers (and recognised according to HKFRS 15).

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Other payables and accrued expenses

Other payables and accrued expenses mainly consist of provision for bonus.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Provision of bonus	15,640	19,710	8,000
Other payables	<u>249</u>	<u>252</u>	<u>315</u>
	<u>15,889</u>	<u>19,962</u>	<u>8,315</u>

As at 31 December 2018, the other payables and accrued expenses decreased from approximately HK\$20.0 million as at 31 December 2017 to approximately HK\$8.3 million mainly due to decrease in provision of bonus reflecting the decrease in revenue of Yu Ming in 2018.

Other payables mainly include audit fee, other professional charges and other accrued operating expenses.

Amount due to a holding company

The amount due to a holding company mainly represents the operating expenses paid on behalf of Yu Ming by the holding company. Upon the Acquisition Completion, the amount due to a holding company will be reclassified as other payables as Yu Ming will cease to be a subsidiary of Allied Group. For details in relation to the aforesaid reclassification in the pro forma financial information of the Enlarged Group, please refer to Appendix III “Unaudited pro forma financial information of the Enlarged Group” of this prospectus.

Taxation recoverable and payable

Taxation payable decreased from approximately HK\$2.3 million as at 31 December 2016 to taxation recoverable of approximately HK\$1.9 million as at 31 December 2017 mainly due to tax and provisional tax paid increased from HK\$3.3 million for the year ended 31 December 2016 to HK\$11.8 million for the year ended 31 December 2017.

Taxation recoverable as at 31 December 2018 of approximately HK\$2.2 million was similar to that as at 31 December 2017.

Borrowings

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had no borrowings. As of the Latest Practicable Date, Yu Ming did not have any banking facilities.

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Security

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had no mortgages or charges.

Contingent liabilities

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had no material contingent liabilities.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets out a summary of Yu Ming's key financial ratios for the years ended/as at 31 December 2016, 2017 and 2018.

	For the year ended/as at 31 December		
	2016	2017	2018
Net profit margin	58.5%	56.7%	60.6%
Return on equity	15.4%	16.6%	41.7%
Return on assets	13.5%	14.1%	32.3%
Current ratio	501.1%	617.8%	379.0%
Gearing ratio	0.0%	0.0%	0.0%
Debtors' turnover days	45.7 days	49.0 days	57.1 days
Creditors' turnover days	Nil	Nil	Nil

Net profit margin

Net profit margin is calculated by the profit for the year divided by the revenue for the respective year.

Net profit margin was approximately 56.7% for the year ended 31 December 2017 which was similar to that of approximately 58.5% for the year ended 31 December 2016.

Net profit margin increased from approximately 56.7% for the year ended 31 December 2017 to approximately 60.6% for the year ended 31 December 2018. The increase in net profit margin for the year ended 31 December 2018 was mainly due to decrease in employee benefit expense.

Return on equity

Return on equity is calculated by the profit for the year divided by total equity at the end of the respective year.

The return on equity of Yu Ming was approximately 15.4%, 16.6% and 41.7% for the years ended 31 December 2016, 2017 and 2018 respectively.

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The return on equity was approximately 16.6% for the year ended 31 December 2017 which was similar to that of approximately 15.4% for the year ended 31 December 2016.

The increase in return on equity in 2018 compared with 2017 was mainly due to the decrease in the equity reserves of approximately HK\$164.5 million as a result of payment of dividend of HK\$200.0 million in 2018.

Return on assets

Return on assets is calculated by the profit for the year divided by total assets at the end of the respective year.

The return on assets of Yu Ming was approximately 13.5%, 14.1% and 32.3% for the years ended 31 December 2016, 2017 and 2018 respectively.

The return on assets was approximately 14.1% for the year ended 31 December 2017 which was similar to that of approximately 13.5% for the year ended 31 December 2016.

The increase in return on assets in 2018 compared with 2017 was mainly due to the decrease in cash and cash equivalents of approximately HK\$174.8 million as a result of payment of dividend of HK\$200.0 million in 2018.

Current ratio

Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year.

The current ratio of Yu Ming was approximately 501.1%, 617.8% and 379.0% as at 31 December 2016, 2017 and 2018 respectively.

The current ratio as at 31 December 2017 increased to 617.8% from 501.1% as at 31 December 2016 mainly due to the increase in current assets by approximately HK\$121.5 million resulting from reclassification of financial assets at fair value through other comprehensive income of approximately HK\$8.5 million from non-current assets to current assets and the proceeds from redemption of financial assets at fair value through other comprehensive income of approximately HK\$78.1 million which was classified as non-current assets in 2016.

The current ratio as at 31 December 2018 decreased to 379.0% from 617.8% as at 31 December 2017 mainly due to the decrease in cash and cash equivalents of approximately HK\$174.8 million as a result of payment of dividend of HK\$200.0 million in 2018.

Gearing ratio

Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective year.

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The gearing ratio of Yu Ming was nil as at 31 December 2016, 2017 and 2018 as Yu Ming did not have any borrowing during the Track Record Period.

Debtors' turnover days

Debtors' turnover days is calculated based on the ending balance of trade receivables (inclusive of debtors from corporate finance advisory and asset management businesses) of a given year divided by revenue for the given year and multiplied by the number of days in the given year.

The debtors' turnover days were 49.0 days as at 31 December 2017, which was similar to that of 45.7 days as at 31 December 2016.

The debtors' turnover days as at 31 December 2018 increased to 57.1 days from 49.0 days as at 31 December 2017, mainly due to decrease in revenue and increase in trade receivables.

Creditors' turnover days

Creditors' turnover days is calculated based on the ending balance of trade payables of a given year divided by revenue for the given year and multiplied by the number of days in the given year.

The creditors' turnover days of Yu Ming was nil as at 31 December 2016, 2017 and 2018 as Yu Ming did not have any trade creditors during the Track Record Period.

OFF-BALANCE SHEET ARRANGEMENT

Yu Ming did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. Yu Ming does not engage in trading activities involving non-exchange traded contracts or transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

RELATED PARTY TRANSACTIONS

Regarding the related party transactions set out in note 26 to the Accountants' Report on Yu Ming in Appendix I to this prospectus, the Proposed Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to Yu Ming than those offered to third parties independent to Yu Ming and were fair and reasonable and in the interest of its shareholders as a whole. The Proposed Directors also confirm that such related party transactions did not distort Yu Ming's results during the Track Record Period and would not make its historical results not reflective of future performance.

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INDEBTEDNESS

As at 31 May 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Enlarged Group had the following indebtedness:

Borrowings

i. The Group

HK\$'000

Unsecured and unguaranteed:

Borrowings	38,508
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	136,097
Convertible bonds	<u>701,099</u>
Total	<u>920,704</u>

ii. Yu Ming

Nil

iii. The Enlarged Group

HK\$'000

Unsecured and unguaranteed:

Borrowings	38,508
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	136,097
Convertible bonds	<u>701,099</u>
Total balances	<u>920,704</u>

Contingent liabilities

As at 31 May 2019, the Group did not have any material contingent liabilities. Referring to Appendix I to this prospectus, Yu Ming has a litigation which Yu Ming may be liable to pay HK\$5,300,000 which is relating to claiming recovery of fees paid to it under two previous engagements together with interest calculated from 8 May 2017 and the plaintiff's costs incurred in the action (the "Action"), the amount of which cannot be quantified yet. Yu Ming has appointed legal advisor to act for it in relation to the Action, and based on the information and documents Yu Ming provided to it, such legal advisor is of the opinion that, the vagaries of litigation aside, Yu Ming

FINANCIAL INFORMATION OF YU MING

is very likely to successfully defend the Action. The directors of Yu Ming, having obtained the legal opinion from the legal adviser, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated.

Commitments

Capital commitment

As at 31 May 2019, the Group and Yu Ming did not have any material capital commitment.

Operating lease commitments

As at 31 May 2019, the Group and Yu Ming had significant commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<i>HK\$'000</i>
Within one year	87
In the second to fifth year, inclusive	<u>—</u>
	<u><u>87</u></u>

Disclaimer

Save as disclosed above, as at 31 May 2019, the Group and Yu Ming did not have any debt securities, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance, outstanding convertible debt securities or other similar indebtedness, any guarantees or other material contingent liabilities.

To the best understanding and knowledge of the Liquidators and the directors of Yu Ming, the Liquidators and the directors of Yu Ming confirm that there had been no material changes to the indebtedness position of the Group and Yu Ming respectively since 31 May 2019 up to the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As of 31 December 2018, Yu Ming had HK\$76.6 million reserves available for distribution to its shareholders.

DIVIDEND

In January 2017, May 2017 and September 2018, Yu Ming proposed, approved and paid dividends of HK\$10,000,000, HK\$10,000,000 and HK\$200,000,000 in cash to the Vendor respectively.

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Yu Ming will before Acquisition Completion declare and pay dividend in cash and in form of distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million.

Yu Ming funded its dividend payments by its operating cash flow.

The Proposed Directors may or may not recommend a payment of dividend in future after taking into account various relevant factors including but not limited to the financial condition, capital requirements and earnings of the Enlarged Group, and subject to the Articles. There is no guarantee that dividends will be paid in the future.

UNAUDITED PRO FORMA NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma net assets of the Enlarged Group attributable to the equity holders of the Company would be of approximately HK\$409.9 million which are extracted from the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as if the Acquisition were completed on 31 December 2018. For details in relation to the pro forma financial information of the Enlarged Group, please refer to Appendix III “Unaudited pro forma financial information of the Enlarged Group” of this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there was no material change to the business model and operation of Yu Ming. Yu Ming continued to provide asset management service to SHK and corporate finance advisory service to its clients on both transaction basis and retainer basis.

The directors of Yu Ming confirm that there has been no material change in the financial or trading positions or outlook of Yu Ming since 31 December 2018 (being the date to which the latest audited financial statements of Yu Ming were made up as reported in “Appendix I – Accountants’ Report on Yu Ming” of this prospectus) up to and including the Latest Practicable Date.

So far as the Proposed Directors are aware, there has been no material change in the general condition of the corporate finance advisory services and asset management services industry in which Yu Ming operates which has materially and adversely affected Yu Ming’s results of operations or financial condition since 31 December 2018 and up to the date of this prospectus.

After due and careful consideration, the Proposed Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial and trading position or prospects of Yu Ming since 31 December 2018, and there is no event since 31 December 2018 which would materially affect the information shown in Appendix I to this prospectus.

Subsequent to 31 December 2018 and up to 31 May 2019, Yu Ming handled 6 transactions as financial adviser, 2 transactions as independent financial adviser and acting as retainer financial adviser for 12 clients.

FINANCIAL INFORMATION OF YU MING

DISCLOSURE REQUIRED UNDER THE LISTING RULES

During the Track Record Period and as at the Latest Practicable Date, there are no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules in respect of Yu Ming.

DISCLOSURE REQUIRED UNDER THE COMPANIES ORDINANCE

The financial information of Yu Ming for the year ended 31 December 2016 has been prepared for inclusion in this prospectus. Yu Ming, as a wholly owned subsidiary of Fine Era Limited, applied section 379(3) of the Companies Ordinance to prepare company level financial statements as Yu Ming's statutory financial statements. Consequently, this financial information does not constitute Yu Ming's statutory financial statements for the year ended 31 December 2016.

Further, financial information of Yu Ming contained in this prospectus does not constitute Yu Ming's statutory financial statements for either of the years ended 31 December 2016, 2017 or 2018 but is derived from those financial statements.

Information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Yu Ming is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

Yu Ming's auditor has reported on the company level financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.