You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("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 our Directors believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk factors" in this document.

OVERVIEW

Our Group is an interdealer broker in Hong Kong providing derivatives brokerage services to Professional Investors through our wholly-owned subsidiary, De Riva, which is a licensed corporation under the SFO and a HKFE Exchange Participant. De Riva is licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities in Hong Kong for Professional Investors without providing any margin financing services. Under the licensing condition, De Riva can only provide services to Professional Investors.

Our Group generates all revenue from commission income for matching and/or executing and settling derivatives trade orders for our customers. During the Track Record Period, our Group covered mainly futures and options, that are traded on the HKEx, the SGX or OTC for our derivatives brokerage services.

Our total revenue amounted to approximately HK$59.8 million for the year ended 31 March 2017, representing a decrease of approximately HK$0.4 million from approximately HK$60.2 million for the year ended 31 March 2016. Our revenue amounted to approximately HK$76.8 million for the year ended 31 March 2018, representing an increase of approximately HK$17.0 million from approximately HK$59.8 million for the year ended 31 March 2017.

Our net profit was approximately HK$11.9 million for the year ended 31 March 2017, representing a decrease of approximately HK$1.6 million from approximately HK$13.5 million for the year ended 31 March 2016. Due to the [**REDACTED**] of approximately HK$[**REDACTED**], our Group recorded a net profit of approximately HK$[**REDACTED**] for the year ended 31 March 2018.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 1 November 2017 as an exempted company with limited liability. Subsequent to the Reorganisation, our Company became the holding company of the companies now comprising our Group, details of which are set out in the section headed "History, Reorganisation and corporate structure" in this document. Our combined statements of profit or loss and other comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows for the Track Record Period are included in the Accountants' Report, the text of which is set out in Appendix I to this document, include the results of operations of the companies comprising our Group. All significant intra-group transactions and balances within our Group has been eliminated on combination.

The financial information has been prepared in accordance with HKFRSs as adopted by the HKICPA. For more information on the basis of preparation and presentation of the financial information included herein, please refer to Note 3 of the Accountants' Report in Appendix I to this document.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those factors set out in the section headed "Risk factors" in this document. In particular:

Reliance on our top five customers

Our revenue from the top five customers, attributed to approximately 35.9%, 41.0%, and 46.1% of our total revenue for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. Any material change in the amount of trading from these customers will directly impact on the amount of commission income (our key revenue stream) our Group is able to generate for the relevant financial period. As these customers do not have any binding long-term commitments with our Group, there is no guarantee that these customers will not terminate their relationship with us or materially decrease, or cease, trading of the derivatives. Our inability to compensate for loss of income from reduced trading activities from these customers may materially and adversely affect our results of operations and financial condition.

Our operating income is reliant to a material extent on investor outlook

Our Group is currently reliant on a single source of income, which is the commission fees for our derivatives brokerage services provided to our customers. The amount of commission fees our Group is able to generate for any particular financial period is directly affected by a number of factors, including trading volume, the financial condition, investment appetite and preference of our customers, which may in turn be affected by the market outlook based on prevailing conditions of the economy and/or market as well as other matters (such as fluctuations in interest rates) beyond our control.

Any general consensus and/or preference among our customers not to trade in some or all derivatives contracts typically traded by them will reduce our revenue and our results of operations and may materially and adversely affect our financial condition.

Our business depends on the continuing efforts of our Directors and key senior management

Our business depends on the continued services of our Directors and key senior management. Our Directors, together with the support of our senior management team, are principally responsible for managing our business development and daily operations. In particular, the experience and customer networks contributed by our key senior management have played a crucial role in building our success and reputation. Therefore, our success is, to a significant extent, attributable to our Directors and senior management team. For further detail, please refer to the section headed "Risk factors" in this document.

Our derivatives brokerage services are dependent on our ability to accurately execute and monitor a larger number of transactions, which involves complicated operational procedures and requires stable performance of our trading system. There is no assurance that our Group will not experience any human errors in processing our customers' instructions, such as input of incorrect derivatives name, quantity of the transaction or incorrect buy/sell order, or incorrect input of customers' account number. Upon discovery of any error trades, our Group would take immediate actions to close our error trading positions and recognise gain or losses from such error trades, if any. During the Track Record Period, there was a material trading error that resulted in an aggregate loss of approximately HK$1.8 million. Our Directors confirmed during the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any regulatory fines or penalties as a result of the error trades. For details of our error trade incidents, please refer to the paragraph headed "Internal control — Error trade" under the section headed "Business" in this document.

Our Group is highly regulated and susceptible to changes in laws, rules and regulations governing the futures industry

Our derivatives brokerage operations constitute licensed activities which are highly regulated in Hong Kong. Our ability to carry out regulated activities will depend on our ability to comply with various ongoing requirements prescribed by regulators in Hong Kong, and any failure to do so may expose us to regulatory scrutiny (including inspections and investigations) as well as possible sanctions, disciplinary actions, proceedings and will risk our licence being suspended or revoked, which may subsequently affect our operations, integrity and reputation.

Further, any change in the laws, rules and regulations governing the future industry may increase our cost of compliance, restrict our existing business activities and adversely affect our business prospects and results of operations.

Our Group is subject to competition in the derivative brokerage industry

According to the Industry Report, as of June 2018, there were a total of 9 General Clearing Participants, 160 Clearing Participants, and 22 non-clearing participants on the HKFE with a type 2 licenses issued by the SFC, of which 15 of them were providing broking services to external parties on derivative contracts. The rest of the corporations either were only engaged in proprietary trading or had ceased providing broking services. De Riva ranked seventh in terms of total commission revenue generated in 2016 among all non-clearing participants in Hong Kong.

There is no assurance that our Group would be able to effectively and successfully compete with our competitors in terms of, among other things, pricing, resources, technological innovation and quality of services. If our Group fails to maintain our competitive strengths, our Group may lose market share which could materially and adversely affect our results of operations and prospects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The combined financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by HKICPA.

The measurement basis used in the preparation of the combined financial statements is the historical cost basis except that financial assets designated at fair value through profit or loss are designated at fair value.

The preparation of combined financial statements in conformity with HKFRSs requires us to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimate of matters that are inherently uncertain. When reviewing our financial information contained herein, you should consider (i) our selection of critical accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when revenue can be measured reliably, on the following basis:

- commission income is recognised when the services are rendered; and
- interest income, on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Key source of estimation uncertainty

Impairment loss on trade receivables

The policy for making impairment loss on trade receivables of our Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2016, 2017 and 2018, the carrying amounts of the trade receivables were approximately HK$15.6 million, HK$15.4 million and HK$21.2 million respectively. No impairment allowance had been recognised during the Track Record Period.

RESULTS OF OPERATION

The following table sets forth our combined statements of profit or loss and other comprehensive income and other financial information for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 respectively, as derived from the Accountants' Report set out in Appendix I to this document.

Operating results in any historical period may not be indicative of the results that may be expected in any future period.

Combined statements of profit or loss and other comprehensive income

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	60,206	59,752	76,759
Other income and gains, net	66	8	455
Total revenue and other income	60,272	59,760	77,214
Depreciation	(315)	(200)	(151)
Staff costs	(28,691)	(27,553)	(41,974)
[REDACTED]	–	–	**[REDACTED]**
Other operating expenses	(15,119)	(17,778)	(16,641)
Finance costs	–	(7)	(38)
Profit before tax	16,147	14,222	7,800
Income tax expense	(2,656)	(2,365)	(3,022)
Profit and total comprehensive income for the year attributable to the owners of the Company	13,491	11,857	**[REDACTED]**
Earnings per share	N/A	N/A	N/A

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS FOR THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our Group provides interdealers brokerage services of derivatives through our wholly-owned subsidiary De Riva. During the Track Record Period, our Group derived our revenue all from commission income received from our customers for providing brokerage services on derivative contracts by various execution channels. There were three principal execution channels involved in trade and various products, namely (i) HKEx; (ii) SGX; and (iii) OTC.

During the Track Record Period, our Group covered mainly index futures and options, single stock options and delta one products for our HKEx segment. Our SGX segment covered mainly futures traded on SGX. Our OTC segment covered a wide range of different equity derivatives, mainly single stock options and delta one products.

The following table sets forth our revenue breakdown during the Track Record Period:

	For the year ended 31 March					
	2016		2017		2018	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
HKEx	50,882	84.5	46,681	78.1	64,033	83.4
SGX	7,356	12.2	11,657	19.5	8,016	10.5
OTC	1,968	3.3	1,414	2.4	4,710	6.1
Total	60,206	100.0	59,752	100.0	76,759	100.0

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's revenue which are all commission income on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% with reference to the revenue fluctuation during the Track Record Period, which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in revenue	**+5%**	**+10%**	**-5%**	**-10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax				
Year ended 31 March 2016	3,010	6,021	(3,010)	(6,021)
Year ended 31 March 2017	2,988	5,975	(2,988)	(5,975)
Year ended 31 March 2018	3,838	7,676	(3,838)	(7,676)
Change in profit after tax				
Year ended 31 March 2016	2,513	5,028	(2,513)	(5,028)
Year ended 31 March 2017	2,495	4,989	(2,495)	(4,989)
Year ended 31 March 2018	3,205	6,409	(3,205)	(6,409)

Staff costs

Staff costs mainly comprise of salaries, which accounted for approximately 98.5%, 98.6% and 98.5% of our total staff costs for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

The following is a breakdown of our staff costs during the Track Record Period:

	For the year ended 31 March					
	2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Salaries	28,267	98.5	27,169	98.6	41,356	98.5
Provident fund contribution	317	1.1	327	1.2	337	0.8
Other allowance	107	0.4	57	0.2	281	0.7
	28,691	100.0	27,553	100.0	41,974	100.0

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's staff costs on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% with reference to the CAGR of approximately 4.3% of the medium monthly wage of financial and insurance in Hong Kong from 2012 to 2016 according to the Industry Report, which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in staff costs	**+5%**	**+10%**	**-5%**	**-10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax				
Year ended 31 March 2016	(1,435)	(2,869)	1,435	2,869
Year ended 31 March 2017	(1,378)	(2,755)	1,378	2,755
Year ended 31 March 2018	(2,099)	(4,197)	2,099	4,197
Change in profit after tax				
Year ended 31 March 2016	(1,198)	(2,396)	1,198	2,396
Year ended 31 March 2017	(1,151)	(2,300)	1,151	2,300
Year ended 31 March 2018	(1,753)	(3,504)	1,753	3,504

Other operating expenses

Other operating expenses primarily comprised of:

(i) clearing fees, which represent the fee charged by execution brokers and clearing brokers on the execution and settlement of derivative trades;

(ii) error and facilitation expenses, which represent the error trades and facilitation paid in order to complete trading orders;

(iii) information system expenses, which represent the fee charged by service providers on providing real time financial information, telecommunication and other information system services to our Group;

(iv) marketing expenses, which mainly represent the out-of-pocket expenses incurred by our staff in social events for building and maintaining customer relationships;

(v) office rent, which represent the rental expenses for our Group's office premises;

(vi) exchange fees, which represent the fees charged by relevant exchanges;

(vii) insurance, which mainly represents the premium of the insurance policies paid by our Group; and

(viii) others, which mainly include office administration costs incurred for daily operation and other sundry expenses.

The following table sets out our other operating expenses during the Track Record Period:

	For the year ended 31 March					
	2016		**2017**		**2018**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Clearing fees – Clearing brokers	3,653	24.1	3,866	21.7	3,586	21.5
Clearing fees – Execution brokers	1,810	12.0	2,558	14.4	1,852	11.1
Error and facilitation expenses	2,826	18.7	3,363	18.9	2,146	12.9
Information system expenses	2,234	14.8	2,443	13.7	2,428	14.6
Marketing expenses	1,355	9.0	2,065	11.6	2,292	13.8
Office rent	881	5.8	905	5.1	1,116	6.7
Exchange fees	495	3.3	547	3.1	445	2.7
Insurance	388	2.6	398	2.2	578	3.5
Others	1,477	9.7	1,633	9.3	2,198	13.2
	15,119	100.0	17,778	100.0	16,641	100.0

Taxation

Taxation represents income tax payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. Our Group had no tax payable in other jurisdictions other than Hong Kong during the Track Record Period. Our operations in Hong Kong are subject to a statutory profit tax rate of 16.5% on the estimated assessable profit.

The following table sets forth a breakdown of our Group's income tax expense during the Track Record Period:

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$000*	*HK$000*
Current tax:			
Hong Kong	2,696	2,385	3,052
Over provision in prior year	(20)	–	–
Tax exemption for the year	(20)	(20)	(30)
	2,656	2,365	3,022

Our Group's effective tax rate, calculated as our taxation for the corresponding year divided by our profit before taxation for the year excluding **[REDACTED]**, was approximately 16.4%, 16.6%, and 16.4% for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$000*	*HK$000*
Profit before tax	16,147	14,222	7,800
Tax at domestic income tax rate of 16.5%	2,664	2,347	1,287
Tax effect of expenses not deductible	–	22	1,756
Tax effect of income not taxable	–*	–*	–*
Tax effect of temporary difference not recognised	32	16	9
Tax effect of tax exemption granted	(20)	(20)	(30)
Overprovision in prior year	(20)	–	–
	2,656	2,365	3,022

* The balance represents an amount less than HK$500.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our total revenue decreased by approximately 0.7% from approximately HK$60.2 million for the year ended 31 March 2016 to approximately HK$59.8 million for the year ended 31 March 2017. The decrease in revenue was mainly due to the decrease in revenue for the HKEx segment and OTC segment and partly offset by the increase in revenue from the SGX segment.

HKEx

Our commission income derived from the HKEx segment decreased by approximately 8.3% from approximately HK$50.9 million for the year ended 31 March 2016 to approximately HK$46.7 million for the year ended 31 March 2017. The decrease was mainly driven by the decrease in revenue from Customer A and another customer.

The revenue from Customer A dropped from approximately HK$4.3 million for the year ended 31 March 2016 to approximately HK$3.0 million for the year ended 31 March 2017. The drop in revenue from Customer A was mainly due to a drop in commission rate since May 2016 as to accommodate the request by Customer A for a better commission rate from 0.4 bps to 0.3 bps since May 2016. The revenue from another customer dropped from approximately HK$3.3 million for the year ended 31 March 2016 to approximately HK$1.4 million for the year ended 31 March 2017. The revenue drop from another customer was mainly due to a drop in trading volume of such customer from approximately 304,000 contracts to approximately 137,000 contracts from the year ended 31 March 2016 to 31 March 2017 with consistent commission rate from the year ended 31 March 2016 to the year ended 31 March 2017 which was due to a lower risk appetite of this customer in the year ended 31 March 2017.

SGX

Our SGX segment revenue increased by approximately 58.1% from approximately HK$7.4 million to approximately HK$11.7 million between each of the two years ended 31 March 2016 and 31 March 2017, representing approximately 12.2% and 19.5% of the total revenue for each of the two years ended 31 March 2016 and 31 March 2017 respectively.

The substantial revenue increase was mainly driven by the increase in trading volume for the period. From the year ended 31 March 2016 to the year ended 31 March 2017, the number of futures contracts executed on the SGX by De Riva through execution brokers increased by approximately 61.5% from approximately 1.3 million contracts to 2.1 million contracts. The increase was mainly due to the increase in trading volume from Customer F from approximately 74 thousand contracts for the year ended 31 March 2016 to approximately 303 thousand contracts for the year ended 31 March 2017, which was due to the increase in trading of SGX FTSE China A50 Futures. The revenue contributed by Customer F increased from approximately HK$0.6 million for the year ended 31 March 2016 to approximately HK$2.4 million for the year ended 31 March 2017.

OTC

Our OTC segment revenue decreased by approximately 30.0% from approximately HK$2.0 million to approximately HK$1.4 million between each of the two years ended 31 March 2016 to 31 March 2017. The decrease was attributable to the decrease in number of customers from 21 customers for the year ended 31 March 2016 to 18 customers for the year ended 31 March 2017. The decrease in the number of customers was mainly due to the cessation of our OTC commodities derivatives services since the year ended 31 March 2016. For further details, please refer to the paragraph headed "Our business" in the section headed "Business" in this document.

Staff costs

Salaries

Our salaries decreased from approximately HK$28.3 million for the year ended 31 March 2016 to approximately HK$27.2 million for the year ended 31 March 2017. The decrease was mainly due to the resignation of a senior licensed broker in August 2016 adjusted by the general increase in salaries of staff.

Provident fund contribution

For each of the two years ended 31 March 2016 and 31 March 2017, our provident fund contribution was approximately HK$0.3 million and HK$0.3 million, respectively. The contribution remained consistent over the Track Record Period.

Other allowance

Other allowance included miscellaneous expenses such as reimbursement of office expenses paid by our staff. Our other allowance decreased from approximately HK$107 thousand for the year ended 31 March 2016 to approximately HK$57 thousand for the year ended 31 March 2017. It was mainly due to less amount spent for staff function.

Other operating expenses

Our other operating expenses increased from approximately HK$15.1 million for the year ended 31 March 2016 to approximately HK$17.8 million for the year ended 31 March 2017. The increase was mainly due to the increase in clearing fees, error and facilitation expenses and marketing expenses.

Clearing fees

Our Group recorded an increase in clearing fee from approximately HK$5.5 million for the year ended 31 March 2016 to approximately HK$6.4 million for the year ended 31 March 2017. The increase was mainly due to the addition of Service Provider B, which charged approximately HK$1.6 million clearing fees for the year ended 31 March 2017, and the increase of fees charged by Service Provider C of approximately HK$0.7 million adjusted by the decrease of fees charged by Service Provider A of approximately HK$1.4

million for the year ended 31 March 2017. The introduction of Service Provider B to replace Service Provider A was due to better term offered by Service Provider B. The increase of charges by Service Provider C was mainly associated with the increase in trading volume of SGX products.

Error and facilitation expenses

Our error and facilitation expenses increased from approximately HK$2.8 million for the year ended 31 March 2016 to approximately HK$3.4 million for the year ended 31 March 2017. The increase was mainly due to the error trade occurred as at the end of March 2016 which led to the recognition of non-recurring expenses of approximately HK$0.7 million for the year ended 31 March 2016 and approximately HK$1.1 million for the year ended 31 March 2017.

During the Track Record Period, our Group identified one material error trade amounted to approximately HK$1.8 million. De Riva received a trade order in March 2016 and the trade order was executed by our execution broker right before a long public holiday. Since our licensed brokers rebooted the trading system over the holiday and failed to check the executions executed by the execution broker after the holiday, they failed to confirm our customer the executions of the trading order. Our clearing broker also delayed to notify us and therefore our customer refused to accept the late allocation order. De Riva subsequently had to settle the trade order under our own account in March 2016 and April 2016 which led to a material loss.

Information system expenses

Our information system expenses increased from approximately HK$2.2 million for the year ended 31 March 2016 to approximately HK$2.4 million for the year ended 31 March 2017. The increase was mainly due to the increase in the fees paid to the largest information system service provider. Our information system expenses to Service Provider F increased from approximately HK$1.7 million for the year ended 31 March 2016 to approximately HK$1.9 million for the year ended 31 March 2017. The increase was mainly due to the increase in the usage of the information system for the corresponding period.

Marketing expenses

Our marketing expenses increased from approximately HK$1.4 million for the year ended 31 March 2016 to approximately HK$2.1 million for the year ended 31 March 2017. The increase was mainly due to the increase in expenses for social events for building and maintaining customer relationships.

Office rent

Our office rent for each of the years ended 31 March 2016 and 31 March 2017 was approximately HK$0.9 million and HK$0.9 million, respectively. Our office rent remained consistent as our Group paid for the same office throughout the corresponding year.

Exchange fees

For each of the two years ended 31 March 2016 and 31 March 2017, our exchange fee was approximately HK$0.5 million and HK$0.5 million, respectively. The charges remained consistent over the corresponding year.

Insurance

For each of the two years ended 31 March 2016 and 31 March 2017, our insurance charges were approximately HK$0.4 million and HK$0.4 million, respectively. The charges remained consistent over the Track Record Period.

Others

Our other expenses remained consistent for the years ended 31 March 2016 and 31 March 2017 at approximately HK$1.5 million and HK$1.6 million.

Taxation

For each of the two years ended 31 March 2016 and 31 March 2017, the effective tax rate of approximately 16.4% and 16.6% respectively was close to the profit tax rate of 16.5% in Hong Kong.

Profit for the year

As a result of the foregoing, our profit for the period decreased by approximately HK$1.6 million or 11.9% from approximately HK$13.5 million for the year ended 31 March 2016 to approximately HK$11.9 million for the year ended 31 March 2017. Our net profit margin was approximately 22.4% and 19.8% for each of the years ended 31 March 2016 and 31 March 2017 respectively, which is primarily due to the increase in clearing fees and error and facilitation expenses. The clearing fees increased from approximately HK$5.5 million for the year ended 31 March 2016 to HK$6.4 million for the year ended 31 March 2017. The error and facilitation expenses increased from approximately HK$2.8 million for the year ended 31 March 2016 to HK$3.4 million for the year ended 31 March 2017. Together with the slight decrease in revenue from approximately HK$60.2 million for the year ended 31 March 2016 to approximately HK$59.8 million for the year ended 31 March 2017, the combined effect of the abovementioned items led to the decrease in our net profit.

Year ended 31 March 2018 compared with year ended 31 March 2017

Revenue

Our total revenue increased by approximately 28.5% from approximately HK$59.8 million for the year ended 31 March 2017 to approximately HK$76.8 million for the year ended 31 March 2018. The increase in revenue was mainly due to the increase in revenue from the HKEx segment and the OTC segment offset by the decrease in the SGX segment.

HKEx

Our commission income derived from our HKEx segment increased by approximately 37.0% from approximately HK$46.7 million for the year ended 31 March 2017 to approximately HK$64.0 million for the year ended 31 March 2018. The increase was driven by the increase in trading volume of single stock option for the year ended 31 March 2018.

The increase in revenue attributable from single stock option was mainly driven by the increase in trading activities for a single stock during the year ended 31 March 2018 as a result of its strong price fluctuation during the period, while the commission rate of our single stock options remained stable for the two years ended 31 March 2017 and 2018. According to the Stock Exchange, the total trading volume of the single stock increased from approximately 4.0 billion from April 2016 to March 2017 to approximately 6.1 billion from April 2017 to March 2018. The revenue attributable to our single stock option from that particular stock was approximately HK$1.4 million and HK$8.7 million for the two years ended 31 March 2017 and 31 March 2018 respectively. With the increase in the trading volume of the single stock, the interest of our customers in that single stock increased and the trading volume of our single stock options associated with that single stock followed along and increased with our customers' interest. With the increase in liquidity of that particular stock and hence increase in trading volume and commission received by our Group, the revenue from the HKEx segment increased for the corresponding period.

SGX

Revenue from the SGX segment decreased by approximately 31.6% from approximately HK$11.7 million for the year ended 31 March 2017 to approximately HK$8.0 million for the year ended 31 March 2018.

The decrease in revenue was mainly driven by the decrease in trading volume for the period. From the year ended 31 March 2017 to the year ended 31 March 2018, the number of futures contracts executed on SGX by De Riva through execution brokers decreased by approximately 28.6% from approximately 2.1 million contracts to 1.5 million contracts. The decrease was mainly due to the decrease in trading volume from Customer F from approximately 303 thousand contracts for the year ended 31 March 2017 to approximately 16 thousand contracts for the year ended 31 March 2018. To the best knowledge of the Directors, the drop was attributable to the decrease in trading of SGX FTSE China A50 Futures which was attributable to the downsize of Customer F in SGX segment. The revenue contributed by Customer F dropped from approximately HK$2.4 million for the year ended 31 March 2017 to approximately HK$70 thousands for the year ended 31 March 2018.

OTC

Our revenue from the OTC segment increased by approximately 235.7% from approximately HK$1.4 million for the year ended 31 March 2017 to approximately HK$4.7 million for the year ended 31 March 2018. The increase was attributable to the increase in number of customers from 18 for the year ended 31 March 2017 to 27 for the year ended 31 March 2018. To be best knowledge of the Directors, the increase in number of customers participated in OTC segment was due to the internal risk policy of customers in trading HKEx futures and hence executed trades through OTC segment.

Staff costs

Salaries

Our salaries increased from approximately HK$27.2 million for the year ended 31 March 2017 to approximately HK$41.4 million for the year ended 31 March 2018. The increase was primarily attributable to the recruitment of an executive Director in June 2017 and a senior licensed broker in October 2017. The increase in salaries was also attributable to the increase in revenue and hence bonus paid to licensed brokers.

Provident fund contribution

For the two years ended 31 March 2017 and 31 March 2018, our provident fund contribution was approximately HK$0.3 million and HK$0.3 million, respectively. The contribution remained consistent over the corresponding year.

Other allowance

Other allowance increased from approximately HK$57 thousand to approximately HK$281 thousand for the two years ended 31 March 2017 and 31 March 2018. The increase was mainly attributable to recruitment cost incurred for recruitment of licensed brokers.

Other operating expenses

Our other operating expenses decreased from approximately HK$17.8 million for the year ended 31 March 2017 to approximately HK$16.6 million for the year ended 31 March 2018. The decrease was mainly due to the decrease in clearing fees and errors and facilitation expenses for the year ended 31 March 2018.

Clearing fees

Our clearing fees decreased from approximately HK$6.4 million for the year ended 31 March 2017 to approximately HK$5.4 million for the year ended 31 March 2018. The decrease was attributable to replacement of Service Provider A by Service Provider B as Service Provider A charged our Group at a higher rate than Service Provider B.

Error and facilitation expenses

Our error and facilitation expenses decreased from approximately HK$3.4 million for the year ended 31 March 2017 to approximately HK$2.1 million for the year ended 31 March 2018. The decrease was mainly attributable to the recognition of approximately HK$1.1 million non-recurring error trade for the year ended 31 March 2017, which was absented for the year ended 31 March 2018.

Information system expenses

Our information system expenses slightly decreased by approximately HK$15 thousand from the year ended 31 March 2017 to the year ended 31 March 2018, which remained stable during the year.

Marketing expenses

Our marketing expenses slightly increased from approximately HK$2.1 million for the year ended 31 March 2017 to approximately HK$2.3 million for the year ended 31 March 2018, which remained stable during the year.

Office rent

Our office rent for the year ended 31 March 2017 and 31 March 2018 was approximately HK$0.9 million and HK$1.1 million, respectively. Our office rent slightly increased as our Group entered into a new tenancy agreement in March 2018 while the previous office remained in use for the year ended 31 March 2018.

Exchange fees

For the year ended 31 March 2017 and 31 March 2018, our exchange fee was approximately HK$0.5 million and HK$0.4 million, respectively. The charges remained consistent over the corresponding year.

Insurance

For the year ended 31 March 2017 and 31 March 2018, our insurance charges were approximately HK$0.4 million and HK$0.6 million, respectively, which was mainly due to revised premium rate of our medical insurance and the increase in our number of staff from 23 to 25 for the two years ended 31 March 2017 and 31 March 2018.

Others

Our other expenses increased from approximately HK$1.6 million for the year ended 31 March 2017 to approximately HK$2.2 million for the year ended 31 March 2018. The increase was mainly due to the upgrading of our voice recording system.

Taxation

For the year 31 March 2018, the effective tax rate of approximately 16.4% (excluding **[REDACTED]**) was close to the profit tax rate of 16.5% in Hong Kong.

Profit for the year

Our Group recorded profit of approximately HK$4.8 million for year ended 31 March 2018, as opposite to a profit of approximately HK$11.9 million for the year ended 31 March 2017, which was mainly due to the recognition of non-recurring **[REDACTED]** of approximately HK$[**REDACTED**] for the year ended 31 March 2018 (compared to nil for the year ended 31 March 2017). If the non-recurring [**REDACTED**] of approximately HK$[**REDACTED**] were excluded, our profit for the year ended 31 March 2018 would be approximately HK$[**REDACTED**] (being higher than the profit of approximately HK$11.9 million for the year ended 31 March 2017), mainly due to the increase in revenue during the corresponding year as discussed above and our net profit margin would be approximately 20.0% (similar with the net profit margin of approximately 19.8% for the year ended 31 March 2017).

Continuing development and growth of revenues of our Group between 2014 and 2018

Our Group's business continued to develop and grow as shown in the table below:

For the year ended 31 March	Revenue of our Group *HK'million*
2014	23.3
2015	31.5
2016	60.2
2017	59.8
2018	76.8

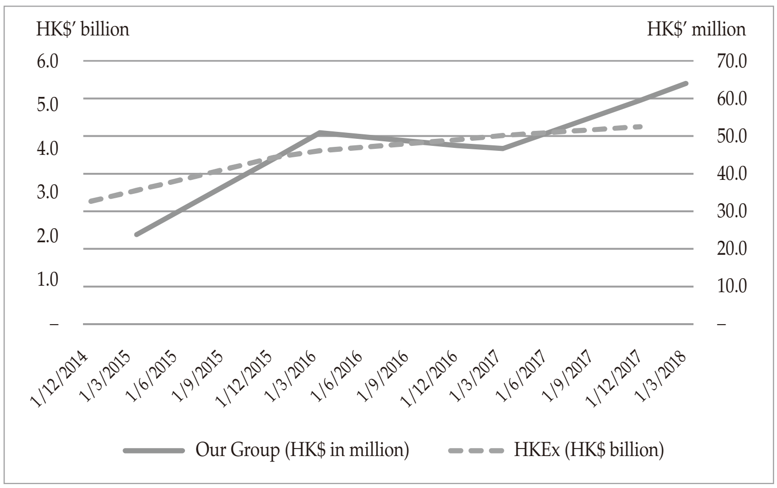
In particular:

(i) as shown by the table above, the total revenues of our Group have continued to grow from the year ended 31 March 2014 to the year ended 31 March 2018 with a CAGR of approximately 26.9%; and

(ii) the range of products which were made available by our Group continued to grow over the years, from initially focusing on HKEx brokerage services to introducing SGX brokerage services in 2013, when Mr. Choi, Mr. Lee, Mr. Fung, and Mr. Ng joined De Riva, which is attributable to approximately 12.2%, 19.5% and 10.5% of our total revenue for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 respectively.

The following tables show that there is somewhat of a correlation between the total amount of brokerage fees generated by HKEx brokerage service of our Group with the total amount of brokerage fees generated from derivatives broking activities in Hong Kong.

Brokerage fees generated by our Group v.s. total amount of brokerage fees from derivatives broking activities, Hong Kong



Source: CIC

The brokerage fees of our Group generated from the HKEx segment increased from approximately HK$23.8 million for the year ended 31 March 2015 to approximately HK$64.0 million for the year ended 31 March 2018 at a CAGR of approximately 28.1%. The total amount of brokerage fees generated from Hong Kong derivatives broking activities increased from approximately HK$2.8 billion for 2014 to approximately HK$4.5 billion for 2017 at a CAGR of approximately 12.6%. The higher CAGR of brokerage fees of our Group generated from HKEx segment of approximately 28.1% than the CAGR total amount of brokerage fees from derivatives brokerage activities in Hong Kong of approximately 12.6% was mainly due to the growth in business activities of our Group driven by the joining of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng in De Riva as senior management in 2013, including the onboarding of new customers and the maintaining of the then existing customers of our Group.

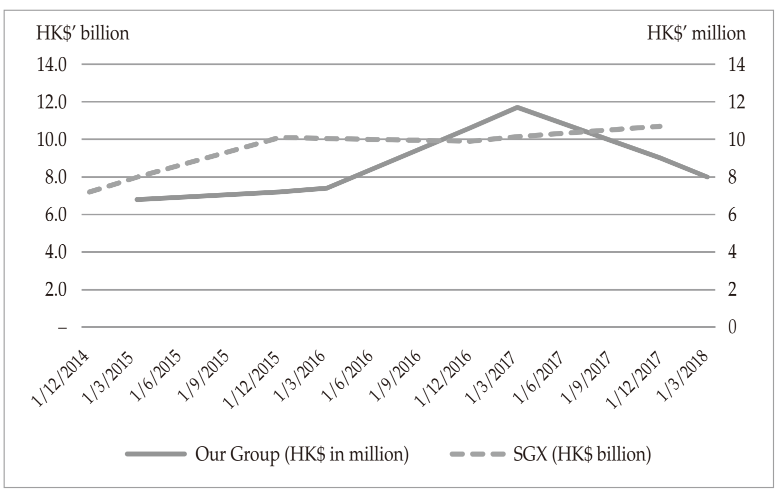
From the year ended 31 March 2015 to the year ended 31 March 2016, our performance was in line with the overall performance of the market, i.e. increased from approximately HK$2.8 billion in 2014 to approximately HK$3.8 billion in 2015. Our revenue generated from HKEx segment increased from approximately HK$23.8 million for the year ended 31 March 2015 to approximately HK$50.9 million for the year ended 31 March 2016, as to the effort of our Directors and senior management in facilitating the information flow and the price discovery process during matching and/or executing and settling derivatives trade orders for our customers.

From the year ended 31 March 2016 to the year ended 31 March 2017, the brokerage fees generated by our Group from the HKEx segment declined from approximately

HK$50.9 million for the year ended 31 March 2016 to approximately HK$46.7 million for the year ended 31 March 2017, while total brokerage fees generated from Hong Kong derivatives brokerage activities increased from approximately HK$3.8 million in 2015 to approximately HK$4.2 billion in 2016. For further details regarding the decline of our Group's HKEx segment revenue, please refer to paragraph headed "Comparison of results of operations — Revenue" in this section.

From the year ended 31 March 2017 to the year ended 31 March 2018, the brokerage fees generated by our Group from the HKEx segment increased from approximately HK$46.7 million to approximately HK$64.0 million, while total brokerage fees generated from Hong Kong derivatives brokerage activities increased from approximately HK$4.1 billion in 2016 to approximately HK$4.5 billion in 2017. For further details regarding the increase of our Group's HKEx segment revenue, please refer to paragraph headed "Comparison of results of operations — Revenue" in this section.

Brokerage fees generated by our Group v.s. total amount of brokerage fees from derivatives broking activities, Singapore



Source: CIC

The brokerage fees of our Group generated from the SGX segment increased from approximately HK$6.8 million for the year ended 31 March 2015 to approximately HK$11.7 million for the year ended 31 March 2017 at a CAGR of approximately 19.8%. The total amount of brokerage fees from Singapore derivatives broking activities increased from approximately HK$7.2 billion in 2014 to approximately HK$9.9 billion in 2016 at a CAGR of approximately 11.2%. The higher CAGR of brokerage fees of the Group generated from the SGX segment of approximately 19.8% than the CAGR total amount of brokerage fees from derivatives brokerage activities in Singapore of approximately 11.2% was mainly due to the growth in business activities of our Group driven by the joining of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng in De Riva as senior management in 2013, including the onboarding of new customers and the maintaining of the then existing customers of the Group.

From the year ended 31 March 2015 to the year ended 31 March 2016, the growth in revenue generated from the SGX segment by our Group from approximately HK$6.8 million for the year ended 31 March 2015 to approximately HK$7.4 million for the year ended 31 March 2016 was lower than the growth in revenue generated from derivative brokerage activities in Singapore market from approximately HK$7.2 billion in 2014 to approximately HK$10.1 billion in 2015. Our Directors believed that this was mainly due to our Group's focus on the HKEx segment during the period.

From the year ended 31 March 2016 to the year ended 31 March 2017, our Group sustained an increase in revenue generated from the SGX segment from approximately HK$7.4 million for the year ended 31 March 2016 to approximately HK$11.7 million for the year ended 31 March 2017, compared to a slight decrease in the brokerage fees of derivatives brokerage activities in Singapore from approximately HK$10.1 billion in 2015 to approximately HK$9.9 billion in 2016. The increase was mainly due to the increase in trading volume from Customer F from approximately 74 thousand contracts to approximately 303 thousand contracts which was due to the increase in trading volume of SGX FTSE China A50 Futures.

From the year ended 31 March 2017 to the year ended 31 March 2018, our Group's revenue generated from the SGX segment decreased from approximately HK$11.7 million to approximately HK$8.0 million, compared to the continuous increase in the brokerage fees of derivatives brokerage activities in Singapore from approximately HK$9.9 billion in 2016 to approximately HK$10.7 billion in 2017, mainly due to the decrease in number of futures contracts executed on SGX by De Riva. To the best knowledge of the Directors, the drop was attributable to the decrease in trading of SGX FTSE China A50 Futures which was attributable to the downsize of Customer F in SGX segment.

To minimise the impact from unpredictable decrease in commission rate of HKEx derivatives, it is the strategies of our Group to expand our product coverage to include OTC KOSPI, OTC Eurex MSCI derivatives. For further details, please refer to the paragraph headed "Our business strategies" in the section headed "Business" in this document. Furthermore, our Directors believe that our Group's SGX products which covered mainly delta one products, including rolls on SGX FTSE China A50 Index Futures, MSCI Singapore Index Futures and MSCI Taiwan Index Futures remain attractive for customers of our Group, for details please refer to the paragraph headed "Derivatives brokerage market overview — Drivers of the derivatives brokerage market in Singapore" in the section headed "Industry overview" in this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow analysis

During the Track Record Period, our Group financed our operations primarily through internally generated cash flows. Following the completion of the [**REDACTED**], our Group expects its capital expenditure and working capital requirement to be funded principally through internally generated cash flows and the [**REDACTED**] from the [**REDACTED**]. Our Directors believe that in the long term, our Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing or bank and other borrowings.

The following table sets out our combined statements of cash flows for the three years ended 31 March 2016, 2017 and 2018, respectively, as derived from the Accountants' Report set out in Appendix I to this document:

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	16,462	14,427	7,988
Net cash from operating activities	4,524	10,234	4,028
Net cash used in investing activities	(559)	(41)	(1,618)
Net cash used in financing activities	(860)	–	(4,000)
Net increase/(decrease) in cash and cash equivalents	3,105	10,193	(1,590)
Cash and cash equivalents at the beginning of the year	8,895	12,000	22,193
Cash and cash equivalents at the end of the year	12,000	22,193	20,603

Net cash from operating activities

Our Group derived our cash flow from operating activities primarily through commission fee received from brokerage service. Cash outflow from operating activities primarily comprises of increment in trade receivables, prepayments, deposits and other receivables and payment of other payables and accruals. Our net cash from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation of property and equipment and the effects of changes in working capital items.

For the year ended 31 March 2016, our Group had net cash from operating activities of approximately HK$4.5 million. This amount represents the operating cash flows before movements in working capital of approximately HK$16.4 million, together with the increase in other payables and accruals of approximately HK$3.0 million adjusted by the increase in trade receivables of approximately HK$5.2 million, the increase in prepayments, deposits and other receivables of approximately HK$8.4 million and profit tax paid of approximately HK$1.3 million. The net working capital outflow was primarily attributable to the increase in trade receivables, prepayments, deposits and other receivables, partially adjusted by the increase in other payables and accruals.

For the year ended 31 March 2017, our Group had net cash from operating activities of approximately HK$10.2 million. This amount represents the operating cash flows before movements in working capital of approximately HK$14.4 million, together with the decrease in trade receivables of approximately HK$0.1 million and the decrease in prepayments, deposits and other receivables of approximately HK$1.4 million adjusted by the decrease in other payables and accruals of approximately HK$1.0 million and profit tax paid of approximately HK$4.7 million. The net working capital inflow was primarily attributable to the decrease in prepayments, deposits and other receivables, partially adjusted by the decrease in other payables and accruals.

For the year ended 31 March 2018, our Group had net cash from operating activities of approximately HK$4.0 million. This amount represents the operating cash flows before movements in working capital of approximately HK$8.0 million, together with the increase in other payables and accruals of approximately HK$6.7 million adjusted by the increase in trade receivables of approximately HK$5.8 million, the increase in prepayments, deposits and other receivables of approximately HK$2.8 million and tax paid of approximately HK$2.1 million. The net working capital outflow was primarily attributable to the increase trade receivables and prepayments, deposits and other receivables, partially adjusted by the increase in other payables and accruals.

Net cash used in investing activities

Our cash used in investing activities primarily comprises of purchase of property and equipment, intangible assets and deposits paid for acquisitions of property and equipment.

For the year ended 31 March 2016, our Group had net cash used in investing activities of approximately HK$0.6 million. This amount primarily represents purchase of intangible assets of approximately HK$0.5 million and purchase of property and equipment of approximately HK$0.1 million.

For the year ended 31 March 2017, our Group had net cash used in investing activities of approximately HK$41 thousand. This amount primarily represents purchase of property and equipment of approximately HK$43 thousand adjusted by interest received of approximately HK$2 thousand.

For the year ended 31 March 2018, our Group had net cash used in investing activities of approximately HK$1.6 million. This amount primarily represents the deposit paid for acquisition of property and equipment of approximately HK$1.5 million and the purchase of property and equipment of approximately HK$89 thousand.

Net cash used in financing activities

Our cash from financing activities primarily comprises dividend payment.

For the year ended 31 March 2016, our Group had net cash used in financing activities of approximately HK$0.9 million. This amount represents the dividend paid to the then shareholders of De Riva.

For the year ended 31 March 2017, our Group did not have financing activities.

For the year ended 31 March 2018, our Group had net cash used in financing activities of approximately HK$4.0 million. This amount represents the dividend paid to the then shareholders of De Riva.

DISCUSSION OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth the consolidated statements of financial positions as at 31 March 2016, 31 March 2017, and 31 March 2018, details of which are set out in the Accountants' Report in Appendix I to this document.

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property and equipment	424	267	205
Deposits	–	–	567
Deposits paid for acquisitions of property and equipment	–	–	1,530
Intangible assets	1,000	1,000	1,000
	1,424	1,267	3,302
Current assets			
Trade receivables	15,571	15,445	21,211
Prepayments, deposits and other receivables	10,153	8,790	11,024
Tax recoverable	–	331	–
Cash and cash equivalents	12,000	22,193	21,361
	37,724	46,759	53,596
Current liabilities			
Other payables and accruals	6,241	5,257	11,956
Dividend payable	–	4,000	–
Tax payable	1,995	–	637
Bank overdrafts	–	–	758
	8,236	9,257	13,351
Net current assets	29,488	37,502	40,245
Net assets	30,912	38,769	43,547
Capital and reserves			
Share capital	6,800	6,800	6,800
Reserve	24,112	31,969	36,747
Total equity	30,912	38,769	43,547

Property and equipment

Our property and equipment comprise mainly computer equipment used for brokerage trading and furniture, fixture, leasehold improvements and office equipment used for our office. The following table sets forth the carrying amount of our property and equipment as at the end of each year of the Track Record Period:

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Property and equipment			
Computer equipment	229	147	109
Furniture and fixtures	22	12	6
Leasehold improvements	125	80	79
Office equipment	48	28	11
	424	267	205

The carrying amount of our property and equipment was approximately HK$0.4 million, HK$0.3 million, and HK$0.2 million as at 31 March 2016, 31 March 2017, and 31 March 2018 respectively.

As at 31 March 2017, our property and equipment remained consistent as our Group did not purchase significant property and equipment during the year. The carrying amount dropped from approximately HK$0.4 million as at 31 March 2016 to HK$0.3 million as at 31 March 2017 mainly due to depreciation and amortization charged on the assets adjusted by purchase of office equipment.

As at 31 March 2018, our property and equipment remained consistent as our Group did not purchase significant property equipment during the period. The carrying amount remained at approximately HK$0.2 million, mainly due to depreciation and amortization charged on the assets adjusted by the purchase of computer equipment and leasehold improvements.

Deposits paid for acquisitions of property and equipment

The carrying amount of approximately nil, nil and HK$1.5 million as at 31 March 2016, 2017 and 2018 respectively were deposits for decoration of new office and acquisitions of property and equipment.

Intangible assets

The carrying amount HK$1.0 million as at 31 March 2016, 2017 and 2018 were trading rights deposited at HKEx. Trading rights are intangible assets with indefinite useful lives carried at cost less any subsequent accumulated impairment loss. No impairment loss has been recognised during the Track Record Period.

Trade receivables

Our trade receivables arose from business of dealing in the derivatives contracts during the Track Record Period.

Our balance of trade receivables remained consistent at approximately HK$15.6 million and HK$15.4 million as at 31 March 2016 and 2017, respectively. The balance increased to approximately HK$21.2 million as at 31 March 2018. Despite the decrease of receivable from a customer from approximately HK$2.5 million as at 31 March 2017 to approximately HK$0.9 million as at 31 March 2018, the increase was generally in line with the growth in revenue.

Our Group generally allows credit period of 30 days to its trade receivables. Our trade receivables turnover days were approximately 78.5 days, 94.7 days, and 87.2 days as at 31 March 2016, 31 March 2017, and 31 March 2018 respectively, which are longer than the credit period of 30 days our Group granted to our customers, mainly due to the long internal procedure for the settlement of the commission payment of our customers. Given the majority of our customers are reputable and international investment banks, our Directors are of the view that the credit risks and default risks are low, and no bad debt was recorded during the Track Record Period. Before accepting any new customer, our Group will assess the potential customer's credit quality and determines its credit limits. Credit limits are made to customers with a satisfactory trustworthy credit history.

The following is an ageing analysis of trade receivables net of allowance for impairment presented based on the invoice date.

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	6,329	5,029	7,227
31–60 days	3,146	3,823	5,671
61–90 days	2,127	1,825	3,054
91–120 days	481	477	1,240
Over 120 days	3,488	4,291	4,019
Total	15,571	15,445	21,211

As at the Latest Practicable Date, approximately HK$17.3 million representing approximately 81.6% of our trade receivables outstanding as at 31 March 2018 have been settled. For trade receivables outstanding over 120 days as at 31 March 2018, approximately HK$2.2 million representing approximately 55.0% have been settled up to the Latest Practicable Date. As abovementioned, given the majority of our customers are reputable and international investment banks and no bad debt was recorded during the Track Record Period, our Directors are of the view that the credit risks and default risks are low and the long outstanding balance could be recovered. During the Track Record Period, no material defaults were recorded by our customers.

Included in our trade receivables balance are debtors with aggregate carrying amount of approximately HK$9.2 million, HK$10.4 million and HK$14.0 million as at 31 March 2016, 31 March 2017 and 31 March 2018 respectively, which are past due as at the reporting date for which our Group has not provided for impairment loss. Our Group does not hold any collateral over these balances.

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	3,146	3,823	5,671
31–60 days	2,127	1,825	3,054
61–90 days	481	477	1,240
Over 90 days	3,488	4,291	4,019
Total	9,242	10,416	13,984

Trade receivables that were past due but not impaired related to a number of independent customers that have a track record with us. Based on past experience, our Group believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The table below sets forth our trade receivables turnover days during the Track Record Period:

	As at 31 March		
	2016	**2017**	**2018**
Trade receivables turnover days *(Note)*	78.5	94.7	87.2

Note: Trade payables turnover days is calculated by dividing the average opening and closing balances of the trade payable for the relevant year by revenue and then multiplied by the number of days in the relevant year.

Our trade receivables turnover days was 78.5 days, 94.7 days, and 87.2 days as at 31 March 2016, 31 March 2017, and 31 March 2018, respectively, the increase in trade receivables turnover days from approximately 78.5 days as at 31 March 2016 to approximately 94.7 days as at 31 March 2017 was mainly due to the slow processing in bill payment by customers. Our Group had actively followed up with customers on bill payment and no bad debt was recorded during the corresponding year.

Our trade receivables turnover days decreased to approximately 87.2 days as at 31 March 2018. It was mainly due to the early settlement of a customer's receivable from approximately HK$2.5 million as at 31 March 2017 to approximately HK$0.9 million as at 31 March 2018.

Prepayments, deposits and other receivables

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	687	661	1,522
Deposits			
– Deposits placed in clearing brokers	9,058	7,717	9,083
– Rental deposits	277	303	888
– Others	128	109	91
	9,463	8,129	10,062
Other receivables	3	–	7
	10,153	8,790	11,591
Analysed as:			
Current	10,153	8,790	11,024
Non-current (rental deposit)	–	–	567
	10,153	8,790	11,591

The prepayments, deposits and other receivables decreased from approximately HK$10.2 million as at 31 March 2016 to approximately HK$8.8 million as at 31 March 2017. It was mainly attributable to the decrease in deposit with Service Provider D of approximately HK$1.3 million as at 31 March 2017, which was due to the additional deposit placed to Service Provider D at the end of March 2016 for the one-off material error occurred in late March 2016.

The prepayments, deposits and other receivables increased to approximately HK$11.6 million as at 31 March 2018. It was primarily due to the increase in prepayment of approximately HK$0.9 million and the increase in deposits placed in a service provider of approximately HK$2.0 million. The increase in prepayment was mainly due to increase in prepayment to professional advisers of approximately HK$0.5 million and medical insurance of approximately HK$0.2 million.

Other payables and accruals

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	1,117	465	264
Accruals	5,124	4,792	11,692
Total	6,241	5,257	11,956

Our other payables and accruals decreased from approximately HK$6.2 million as at 31 March 2016 to HK$5.3 million as at 31 March 2017. The decrease was mainly driven by the decrease in other payables from approximately HK$1.1 million as at 31 March 2016 to HK$0.5 million as at 31 March 2017. The decrease in other payables was mainly due to decrease in advance payment from customers. The decrease in other payable and accruals was also driven by the decrease in accruals. The decrease in accruals was mainly due to the full settlement of all outstanding balance of Service Provider A during the year ended 31 March 2017.

Our other payables and accruals increased to approximately HK$12.0 million as at 31 March 2018. The increase was mainly due to the increase in unpaid bonus of approximately HK$4.1 million and the accrual of **[REDACTED]** of approximately HK$**[REDACTED]** .

NET CURRENT ASSETS AND LIABILITIES

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Trade receivables	15,571	15,445	21,211	17,178
Prepayments, deposits and other receivables	10,153	8,790	11,024	10,076
Tax recoverable	–	331	–	–
Cash and cash equivalents	12,000	22,193	21,361	26,232
	37,724	46,759	53,596	53,486
Current liabilities				
Other payables and accruals	6,241	5,257	11,956	11,339
Dividend payable	–	4,000	–	–
Tax payable	1,995	–	637	1,051
Bank overdrafts	–	–	758	1,873
	8,236	9,257	13,351	14,263
Net current assets	29,488	37,502	40,245	39,223

As at 31 March 2017, our Group had net current assets of approximately HK$37.5 million, compared with the net current assets of approximately HK$29.5 million as at 31 March 2016, due of the increase in cash and cash equivalents from approximately HK$12.0 million as at 31 March 2016 to approximately HK$22.2 million as at 31 March 2017, which mainly was attributed to the increase in net cash from operating activities of our Group.

As at 31 March 2018, our Group had net current assets of approximately HK$40.2 million, which was mainly due to the increase in prepayments, deposits and other receivables.

As at 30 June 2018, our Group had net current assets of approximately HK$39.2 million, which remained stable compared to 31 March 2018.

CAPITAL EXPENDITURES

Our capital expenditures for the year ended 31 March 2016, 31 March 2017 and 31 March 2018, were approximately HK$59 thousand, HK$43 thousand, and HK$89 thousand respectively. Our capital expenditures principally comprise expenditures for the purchase of computer equipment and addition of leasehold improvements.

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
– Acquisition of computer equipment	59	43	44
– Addition of leasehold improvements	–	–	45

OPERATING LEASE COMMITMENTS AND CAPITAL COMMITMENTS

At the end of each reporting period, our Group had commitments for futures minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	604	962	2,007
In the second to fifth year inclusive	–	642	3,540
	604	1,604	5,547

Operating lease payments represent rentals payable by our Group for its office premises. Leases are negotiated for an average of three years; and rentals are fixed.

Save as disclosed above, our Group did not have any outstanding contractual and capital commitments as at the Latest Practicable Date.

INDEBTEDNESS

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current				
Bank overdrafts	–	–	758	1,873

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 June 2018, our Group had bank overdrafts of nil, nil, approximately HK$0.8 million and HK$1.9 million, respectively.

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	–	–	1% over the interest rate of the collateral deposit	1% over the interest rate of the collateral deposit

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 June 2018, our Group had unutilised banking facilities amounted to nil, nil, approximately HK$0.2 million and HK$2.1 million, respectively.

As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of its banking facilities during the Track Record Period and up to the Latest Practicable Date.

Contingent liabilities

As at 31 March 2018 and up to the Latest Practicable Date, our Group did not have any guarantees or other material contingent liabilities.

Our Directors confirm that up to the Latest Practicable Date, there had been no material change in our contingent liabilities since 31 March 2018.

Our Directors confirm that (i) there has not been any material change in our Group's indebtedness and contingent liabilities since 31 March 2018 and up to the Latest Practicable Date; and (ii) our Directors are not aware of any material defaults in payment of our Group's trade and non-trade payables during the Track Record Period and up to the Latest Practicable Date. Save as disclosed in the paragraph headed "Indebtedness" in this section, our Group did not have, at the close of business on 31 March 2018, any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources available to our Group, including internally generated funds, available banking facilities and the estimated **[REDACTED]** from the **[REDACTED]**, our Group has sufficient working capital for our present working capital requirements for at least the next 12 months commencing from the date of this document.

OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, our Group did not have any material off-balance sheet arrangements (including any outstanding, off-balance sheet guarantees or foreign currency forward contracts) or contingencies (except as disclosed under the paragraph headed "Indebtedness — Contingent liabilities" in this section).

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period as at the dates indicated:

	For the year ended/As at 31 March			
	2016	**2017**	**2018**	**2018** (adjusted(8))
Profitability ratios				
Return on equity (1)	43.6%	30.6%	11.0%	35.3%
Return on total assets (2)	34.5%	24.7%	8.4%	27.0%
Net profit margin (3)	22.4%	19.8%	6.2%	20.0%
Liquidity ratio				
Current ratio (4)	4.6 times	5.1 times	4.0 times	4.0 times
Capital adequacy ratios				
Interest coverage (5)	N/A	2,032.7 times	206.3 times	485.5 times
Gearing ratio (6)	N/A	N/A	1.7%	1.7%
Debt to equity ratio (7)	Net cash	Net cash	Net cash	Net cash

Notes:

1. The calculation of return on equity is based on profit for the year divided by total equity and multiplied by 100%.

2. The calculation of return on total assets is based on profit for the year divided by total assets and multiplied by 100%.

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

4. The calculation of current ratio is based on current assets divided by current liabilities.

5. Interest coverage is based on profit before interest and tax divided by finance costs for the year.

6. The calculation of gearing ratio is based on the total loans and borrowings divided by total equity.

7. Debt to equity ratio is calculated by dividing net debt (total loans and borrowings net of cash and cash equivalents) by total equity at the end of the respective year and expressed as a percentage.

8. The ratios are calculated by adjusted net profit from the non-recurring [**REDACTED**] incurred for the respective year. Adjusted net profit for the year represents our profit for the year excluding [**REDACTED**]. Adjusted net profit is not a measure of performance under HKFRSs and accounting principles generally accepted in Hong Kong. The use of these non-HKFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

Please refer to the paragraph headed "Factors affecting our results of operations" in this section for a discussion of the factors affecting our net profit margin during the Track Record Period.

Return on equity

Our return on equity decreased from approximately 43.6% for the year ended 31 March 2016 to approximately 30.6% for the year ended 31 March 2017. The decrease in return on equity was attributable to the decrease in net profit from approximately HK$13.5 million for the year ended 31 March 2016 to approximately HK$11.9 million for the year ended 31 March 2017, and the increase in total equity from approximately HK$30.9 million as at 31 March 2016 to approximately HK$38.8 million as at 31 March 2017.

Our return on equity for the year ended 31 March 2018 further decreased to approximately [**REDACTED**]%. The adjusted return on equity for the year ended 31 March 2018 would be approximately [**REDACTED**]% if [**REDACTED**] were excluded, an increase from 30.6% for the year ended 31 March 2017, mainly due to the increase in net profit (excluding the non-recurring [**REDACTED**] of approximately HK$[**REDACTED**]) of HK$[**REDACTED**].

Return on total assets

Our return on total assets was approximately 34.5% and 24.7% for the two years ended 31 March 2016 and 2017 respectively. The return on total assets decreased mainly due to the significant increase in cash and cash equivalents of approximately HK$12.0

million as at 31 March 2016 to HK$22.2 million as at 31 March 2017 and decrease in profit from approximately HK$13.5 million for the year ended 31 March 2016 to approximately HK$11.9 million for the year ended 31 March 2017.

Our return on assets for the year ended 31 March 2018 further decreased to approximately [**REDACTED**]%. The adjusted return on assets for the year ended 31 March 2018 would be approximately [**REDACTED**]% if [**REDACTED**] were excluded, an increase from 24.7% for the year ended 31 March 2017, mainly due to the increase in net profit (excluding the non-recurring [**REDACTED**] of approximately HK$[**REDACTED**]) of HK$[**REDACTED**].

Net profit margin

Our net profit margin was approximately 22.4% and 19.8% for the two years ended 31 March 2016 and 2017 respectively. Our net profit margin decreased mainly due to the increase in the other operating expenses, in particular the clearing fees, error and facilitation expenses and marketing expenses.

Our net profit margin for the year ended 31 March 2018 further decreased to approximately 6.2%. The net profit margin for the year ended 31 March 2018 would be approximately [**REDACTED**]% if [**REDACTED**] were excluded, an increase from 19.8% for the year ended 31 March 2017, mainly due to the increase in revenue of approximately 28.5% with a decrease in other operating expenses of approximately 6.4% during the year.

Current ratio

Our current ratio improved from approximately 4.6 times as at 31 March 2016 to approximately 5.1 times as at 31 March 2017. The improvement is mainly due to the significant increase in cash and cash equivalents of approximately HK$12.0 million as at 31 March 2016 to approximately HK$22.2 million as at 31 March 2017 mainly resulting from the profit in the year ended 31 March 2017.

Our current ratio decreased to approximately 4.0 times as at 31 March 2018, which is mainly due to the increase in other payables and accruals from approximately HK$[**REDACTED**] as at 31 March 2017 to approximately HK$[**REDACTED**] as at 31 March 2018, mainly resulting from the increase in unpaid bonus of approximately HK$4.1 million and the accrual of [**REDACTED**] of approximately HK$[**REDACTED**] offset by settlement of dividend payable of approximately HK$4.0 million.

Interest coverage

Our interest coverage was not applicable and approximately 2,032.7 times for the two years ended 31 March 2016 and 2017 respectively, due to the overdraft interest of approximately HK$7 thousand incurred for the year ended 31 March 2017.

Our interest coverage decreased to approximately 206.3 times for the year ended 31 March 2018, primarily due to the recognition of non-recurring [**REDACTED**] of approximately HK$[**REDACTED**] for the year ended 31 March 2018. The adjusted interest coverage for the year ended 31 March 2018 would be approximately [**REDACTED**] times if [**REDACTED**] were excluded, a decrease from approximately [**REDACTED**] times for the year ended 31 March 2017, mainly due to the finance cost incurred from the bank overdraft during the year.

Gearing ratio

Our gearing ratio was not applicable as at 31 March 2016 and 31 March 2017 respectively as there were no loans and borrowings during the period.

Our gearing ratio was approximately 1.7% as at 31 March 2018, which was mainly attributable to the bank overdraft of approximately HK$758 thousand as at 31 March 2018.

Debt to equity ratio

Our Group recorded net cash positions as at 31 March 2016, 31 March 2017 and 31 March 2018 and therefore debt to equity ratio was not applicable.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 27 of the Accountants' Report set out in Appendix I to this document were conducted on normal commercial term and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Compensation to key management personnel

The remuneration of directors and other key management personnel of our Group during the Track Record Period were as follow:

	Year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Short-term benefits	10,454	10,382	20,400
Post-employment benefits	72	72	86
Total	10,526	10,454	20,486

The remuneration of key management personnel of our Group is determined by our Directors having regard to the performance of the individuals and market trends.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, our Group did not own any property.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group is exposed to various types of market risks in the normal course of our business, including credit risk, interest rate risk, currency risk and liquidity risk.

Credit risk

The trade receivables and cash and cash equivalents represent our Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the combined statements of financial position.

In order to minimise the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Our Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

All of the balances with bank were deposited in a reputable large commercial bank with high credit rating.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances which carrying interest at prevailing market rates.

Our Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Our Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal as the amount involved is insignificant, hence, no sensitivity analysis is prepared.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are non-interest bearing, except for bank overdrafts which are interest bearing, and their maturity dates are either within one year or repayable on demand.

All carrying amounts of financial liabilities are approximate to the undiscounted cash flows due to the short maturity.

Currency risk

During the Track Record Period, our Group had certain bank balances and trade balances denominated in the USD, JPY, SGD, EUR, AUD and GBP.

Our Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For detailed breakdown of our Group's foreign currency denominated monetary assets and liabilities, please refer to Note 7 of the Accountants' Report in Appendix I to this document.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is prepared on the basis of the notes set forth below, for the purpose of illustrating the effect of the [**REDACTED**] as if it had taken place on 31 March 2018. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the [**REDACTED**] or at any future dates.

[**REDACTED**]

[REDACTED]

DISTRIBUTABLE RESERVES

Our Company was incorporated on 1 November 2017. As at the Latest Practicable Date, our Company had no reserves available for distribution to our Shareholders.

DIVIDENDS

Our Group declared a dividend of approximately HK$0.9 million for the year ended 31 March 2015 and HK$4.0 million for the year ended 31 March 2016 on 17 June 2015 and 29 March 2017 respectively to the then shareholders of De Riva, which was fully settled in cash by our internal resources in June 2015 and April 2017 respectively. Save as the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period and up to the Latest Practicable Date.

The declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our Shareholders, and will be dependent upon our earnings, financial conditions, cash requirements and availability, future prospects, contractual restrictions, applicable laws and provisions and other relevant factors. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is no assurance as to the amount of dividend payment, if any, or the timing of any dividend payment. Our Group does not currently have any predetermined dividend distribution ratio.

MATERIAL ADVERSE CHANGE

From 1 April 2018 up to the date of this document, our Group has continued to focus on developing our derivative brokerage business. Our Directors confirm that, save as the [**REDACTED**] set out in the paragraph headed "[**REDACTED**]" in this section, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

Without taking into account the impact of the non-recurring [**REDACTED**], our Group expects net profit for the year ending 31 March 2019 will decrease compared to the previous year due to (i) the uncertainty of the recurrence of any booster similar to the event that led to the unexpected increase in revenue recognised in our HKEx segment for the year ended 31 March 2018 driven by the increase in trading volume of a single stock during the year; and (ii) an estimated increase in office rent for the year ending 31 March 2019 compared to that for the year ended 31 March 2018 as our Group moved to a bigger office premises in April 2018.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.