



Excalibur Global Financial Holdings Limited
駿溢環球金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8350

2017
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Excalibur Global Financial Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Poon Kwok Wah, Allan
(Chairman and Chief Executive Officer)
Mr. Chan Ying Leung
Ms. Lee Mei Chun

Independent Non-executive Directors

Mr. Chin Kam Cheung
Mr. Ang Wayne Wu-yee
Mr. Siu Miu Man

COMPANY SECRETARY

Mr. Lo Wai Hang

AUTHORISED REPRESENTATIVES

Mr. Poon Kwok Wah, Allan
Mr. Chan Ying Leung

MEMBERS OF AUDIT COMMITTEE

Mr. Chin Kam Cheung *(Chairman)*
Mr. Ang Wayne Wu-yee
Mr. Siu Miu Man

MEMBERS OF REMUNERATION COMMITTEE

Mr. Ang Wayne Wu-yee *(Chairman)*
Mr. Siu Miu Man
Mr. Chin Kam Cheung

MEMBERS OF NOMINATION COMMITTEE

Mr. Poon Kwok Wah, Allan *(Chairman)*
Mr. Ang Wayne Wu-yee
Mr. Siu Miu Man

AUDITOR

KPMG
Certified Public Accountants

REGISTERED OFFICE

PO Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tel: (852) 2526-0388
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PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications Company Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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Hong Kong
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Fax: (852) 2810-8185

STOCK CODE

8350

WEBSITE

<http://www.excalibur.com.hk>

CHAIRMAN'S STATEMENT

It is my pleasure to present to our shareholders the first annual report of Excalibur Global Financial Holdings Limited (the "Excalibur" and "Company") and its subsidiaries (the "Group") since its listing on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2018. I hereby present the overall performance of the Group for the year ended 31 December 2017 (the "Year").

Due to the market environment during the Year, the revenue of the Group decreased by 19.5%, from HK\$40.8 million for the year ended 31 December 2016 (the "Prior Year") to HK\$32.8 million in the Year. The Group's net profit dropped by HK\$12.4 million, from profit of HK\$11.8 million in Prior Year to loss of HK\$0.6 million in the Year. The decrease was mainly due to additional expenses being recognised for the listing year and the drop in revenue. Basic loss per share for the Year was HK0.16 cents. The board of directors of the Company (the "Board") does not recommend any payment of final dividend for the Year.

On 12 January 2018, the Group reached a new milestone with the successful listing of the Company's shares on the GEM board of the Stock Exchange. Proceeds from the Company's initial public offering ("IPO") have greatly strengthened the Group's financial resources to expand our futures and options brokerage business, particularly for setting our office in Qianhai and entering the stock option business. Setting up an office in Qianhai enables the Group to offer tailor-made service to existing and potential clients in Mainland China. The Group could also use Qianhai as a stepping-stone to further expand our exposure in other regions in Mainland China. In the long term, our goal is to develop the Group as a financial institution which provide all-rounded financial services and products to our customers in Hong Kong and Mainland China.

Our successful listing has given us higher visibility in the market and further strengthened our brand name. This has in turn boosted the confidence of our clients in the Group. Together with the future office in Qianhai, the Group will invest more marketing resource in Mainland China by organising more seminars, workshops and training to our existing and potential clients from Mainland China. The Group will extend our marketing activities beyond the Pearl Delta Area into other parts of Mainland China. Through such effort, the Group expects to attract more clients from Mainland China over time. Such investment will bring the Group to the next level and increase our presence in Mainland China.

The Group's marketing approach is to reach high net worth customers through referral from existing customers or hosting seminars in relation to futures and options products trading. In order to attract these customers, who have demand on higher service quality from brokerage firms, we intend to further strengthen our infrastructure on our network capacity and speed. Improvement of our IT infrastructure includes improving security firewall and enhancing the connectivity between our servers and servers of clearing house/overseas brokers. These investments are believed to be essential for our success in attracting more customers and maintaining our competitive edge in the market.

Although the stock markets in Hong Kong and Mainland China surged, the HSI Volatility Index remained low throughout the Year. Based on past experience, clients are less interested in trading futures and options products in such market condition. It therefore leads to a slight decrease in revenue of the Group contributed by trading of futures contracts. The Group is planning to diversify the revenue stream in order to generate a stable and growing return to our shareholders. The Group is going to commence stock options and securities margin financing business after obtaining approval from regulatory bodies for lifting our current licensing condition. By entering into these markets, the Group could offer more products to our clients and increase revenue by expanding our revenue source. We will strive to expand our business and customer base and become a more diversified financial institution to achieve further success and business growth in the future.

Looking ahead to 2018, the environment of financial market is expected to be more challenging compared to the Year, political and economic uncertainties will remains high across the world especially in APAC region. The Group will further strengthen ourselves to overcome these challenges and continue our growth in brokerage business in futures and options trading, and introduce stock options business in 2018.

CHAIRMAN'S STATEMENT (continued)

The Group seizes every opportunity to expand our customer base and increase the return to our shareholders. The Group has recently signed an agreement with China Industrial Securities International Futures Limited, being one of the subsidiaries of Industrial Securities Co., Limited “興業證券股份有限公司” (listed in Shanghai Stock Exchange as stock code 601377) for expanding client base in Mainland China.

Finally, I would like to take this opportunity to express my sincere gratitude to all our staff, the Board and our business partners. The rapid development of the Group is largely attributed to the dedication and contribution from all staff and management team, promoting to the success of the Group.

Poon Kwok Wah, Allan

Chairman

Hong Kong, 26 March 2018

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of Excalibur Global Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") who held office during the year ended 31 December 2017 and up to the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. POON Kwok Wah, Allan , aged 56

Mr. Poon is the chairman, an executive Director and the Chief Executive Officer of the Company. He is also the chairman of the Group's Nomination Committee. Mr. Poon was appointed as Director in 2016 and was then redesignated as executive Director, and appointed as the chairman of the Board and Chief Executive Officer of the Company in February 2017. He joined the Group in 2000 as the general manager of Excalibur Global Financial Group Limited ("Excalibur Global HK"), our key operating subsidiary. Mr. Poon is responsible for the overall strategic planning, business development and operational management of the Group. Mr. Poon has over 22 years of experience in the securities and futures brokerage business, which included leading business development as well as acting as a consultant in licensed corporations. He is also a compliance officer and an authorised representative of the Company and is a responsible officer of Excalibur Global HK responsible for supervising each of its regulated activities.

Mr. CHAN Ying Leung, aged 50

Mr. Chan is an executive Director and an authorised representative of the Company. He was appointed as Director in 2016 and was then redesignated as executive Director in February 2017. He has been a Director of Excalibur Global HK, our key operating subsidiary, since December 2007. He is responsible for providing advice on the formulation of the overall corporate and business strategies of the Group. Mr. Chan possesses over 10 years experience in the securities and futures business in Hong Kong and served as the director of business development of Sun Hung Kai Securities Limited from March 2005 to December 2007.

Ms. LEE Mei Chun, aged 56

Ms. Lee is an executive Director and a compliance officer of the Company. She was appointed as executive Director in February 2017. Ms. Lee is a responsible officer of Excalibur Global HK, our key operating subsidiary, and is responsible for supervising each of its regulated activities (including futures and options trading business). She is also responsible for participating in the formulation of the corporate business strategies and making major operational decisions of the Group. Ms. Lee became a director of Excalibur Global HK in May 2001 and has been a responsible officer since August 2007. Ms. Lee serves as the dealing director of Excalibur Global HK, responsible for the managing the risk of clients' trading of Group as well as supervising and providing training for all licensed staff.

DIRECTORS AND SENIOR MANAGEMENT (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIN Kam Cheung, aged 60

Mr. Chin is an independent non-executive Director, the chairman of the Audit Committee and the member of the Remuneration Committee of the Company. He joined the Group and was appointed as an independent non-executive Director of the Company in December 2017. Mr. Chin has over 30 years of experience in accounting, financial management and auditing profession industry. He is currently a practicing accountant in Hong Kong and has been serving as an independent non-executive Director at Jiahua Stores Holdings Limited since April 2007. Mr. Chin is a fellow member of the Chartered Institute of Management Accountants since November 1993, and has been admitted as an associate of the Institute of Cost and Management Accountants since September 1986. Mr. Chin is currently a registered Certified Public Accountant with the Hong Kong Institute of Certified Public Accountants.

Mr. ANG Wayne Wu-yee, aged 47

Mr. Ang is an independent non-executive Director, the chairman of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company. Mr. Ang joined the Group and was appointed as an independent non-executive Director in December 2017. Mr. Ang has over 15 years experience in assets management and investment industry. Mr. Ang was appointed an associated director of Pacific Harbour Holdings (HK) Limited (formerly known as Amroc Investments Asia Limited) from 2002 to 2006 and the executive director of Pacific Harbour Advisers (HK) Limited over the period from 2006 to 2013. Since April 2013, Mr. Ang has been a director at Clydesdale Advisors Limited.

Mr. SIU Miu Man, aged 60

Mr. Siu is an independent non-executive Director, the member of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company. He joined the Group and was appointed as an independent non-executive Director in December 2017. Mr. Siu has over 25 years of managerial experience in various listed companies. Mr. Siu has been an associate of the Chartered Institute of Arbitrators since November 1984, a professional associate of Royal Institution of Chartered Surveyors since January 1985, an associate of the Hong Kong Institute of Surveyors since March 1986 and a member of the Hong Kong Institute of Engineers since March 1989. He has also been an Authorised Person (List of Surveyors) since 1999, a Registered Professional Surveyor (General Practice Stream) since January 2002 and a Registered Professional Engineer (Building Stream) since May 2000.

DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Mr. LO Wai Hang, aged 33

Mr. Lo has been the Group's Financial Controller since September 2016. Mr. Lo joined the Group in October 2015 and is mainly responsible for the Group's financial analysis and financial statements preparation, implementing internal control procedures and preparing daily and monthly financial reports to regulatory bodies. He has over nine years of experience in financial accounting. Mr. Lo has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011.

Mr. CHEUNG Ngam, aged 44

Mr. Cheung joined the Group as an Information Technology Manager since October 2011. Mr. Cheung has over 15 years of experience in the IT field in Hong Kong and Mainland China. Mr. Cheung is mainly responsible for managing the overall operation and establishment of the IT systems and infrastructure, management and security resources both in-house and data centres.

Dr. KWOK Shu Tin, aged 66

Dr. Kwok has been a self-employed Accounts Executive ("AE") accredited to Excalibur Global HK as his principal since August 2007. He was employed as the Marketing Manager of the Group in February 2017 while keeping his engagement as a self-employed AE. Dr. Kwok, as our Marketing Manager, is mainly responsible for directing and developing marketing strategy, participating in the marketing activities and workshops/seminars of the Group. As a self-employed AE, Dr. Kwok refers clients to the Group and manages these clients in return for commissions generated from the trades carried out by his clients. He has over five years of experience in teaching futures trading related classes. Dr. Kwok also provides on-site training to his students as a self-employed AE as part of his clients' management. He acted as an instructor at FQ Coaching Limited from February 2012 to December 2014.

Mr. YU Kin Sing, Sting, aged 45

Mr. Yu has been the Group's Head of Sales and Marketing since August 2016. He joined the Group in January 2002 as the representative for our type 1 (dealing in securities) regulated activity and the responsible officer for type 2 (dealing in futures contracts) regulated activity and is mainly responsible for supervising daily futures operations of the Group. Mr. Yu has over 15 years in the futures industry.

Mr. WONG Man Ting, Edwin, aged 31

Mr. Wong joined the Group and has been the Head of Settlement since January 2016. He is responsible for the daily settlement and accounts handling of the Group. Mr. Wong is also responsible for executing the input of trades into our back office system and reconciliation of the trade input with the responsible officers of the Group, perform clearing and funding requirements and document filing. Further, Mr. Wong is responsible for performing the Group's internal control and anti-money laundering activities.

COMPANY SECRETARY

Mr. LO Wai Hang, aged 33

Mr. Lo is the company secretary of the Company, responsible for overall secretarial matters of the Group. For his biographical information, please refer to the paragraph headed "Senior Management" above in this section.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year ended 31 December 2017 (the “Year”), revenue of the Group amounted to approximately HK\$32,840,000, representing a decrease of approximately 19.5% from approximately HK\$40,776,000 for the year ended 31 December 2016 (the “Prior Year”). Such decrease was mainly driven by the low volatility in the financial markets including stock markets and commodity markets. As futures trading by our clients are mainly based on speculations on the prices of different underlying assets, our clients are generally less interested in trading futures contracts when volatility is low, leading to lower revenue recorded compared to Prior Year.

The Group recorded a loss of approximately HK\$578,000 for the Year, as compared with the profit of approximately HK\$11,788,000 for the Prior Year. Net loss attributable to owners of the Company amounted to approximately HK\$971,000 for the Year, representing a decrease of approximately 108.8% compared with the profit of approximately HK\$11,042,000 for the Prior Year. The overall performance from net profit to net loss attributable to equity shareholders of the Company was mainly contributed by (i) the decrease in revenue generated in the Year; and (ii) the increase in listing expenses recognised during the Year. By excluding the listing expenses, the Group recorded a profit of approximately HK\$12,759,000 for the Year, which represents a decrease of 38.1% compared to a profit of HK\$20,626,000 for the Prior Year.

The basic and diluted loss per share of the Company for the Year was approximately HK0.16 cents as compared with the basic and diluted earnings per share of approximately HK1.84 cents for the Prior Year.

Revenue

We mainly provide futures brokerage services to our clients. We derived our revenue principally from brokerage fees received from our clients for the execution and/or facilitation of execution of futures contracts through our online trading platform.

The table below sets out the breakdown of our revenue generated by the Group from brokerage fees received for futures and options broking activities (by market):

Market	Year ended 31 December 2017		Year ended 31 December 2016		Increment/(Decrement)	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	%
Hong Kong market (note 1)	6,403	19.5	12,393	30.4	(5,990)	(48.3)
Overseas markets (note 2)	26,437	80.5	28,383	69.6	(1,946)	(6.9)
	32,840	100.0	40,776	100.0	(7,936)	(19.5)

Note:

- (1) In respect of products traded on Hong Kong Futures Exchange.
- (2) In respect of products traded in various global futures exchanges.

The key products from Hong Kong market were Hang Seng Index (“HSI”) futures and options while key products from overseas markets were commodity futures. It was noted that the drop of revenue from overseas markets was less than the one from Hong Kong market. It was contributed by our continuing effort to encourage our clients to trade in futures products from overseas exchanges in which we charge higher fee.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The following table sets forth a breakdown of our revenue in respect of types of products traded by our client in the Year.

Product category	Year ended 31 December 2017		Year ended 31 December 2016		Increment/(Decrement)	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	%
Energy futures	18,912	57.6	21,014	51.5	(2,102)	(10.0)
Index futures and options	7,421	22.6	13,735	33.7	(6,314)	(46.0)
Precious metal futures	3,401	10.3	2,781	6.8	620	22.3
Forex futures	1,835	5.6	2,056	5.0	(221)	(10.8)
Industrial metal futures	750	2.3	533	1.3	217	40.7
Agricultural futures	467	1.4	606	1.5	(139)	(22.9)
Other futures	54	0.2	51	0.2	3	5.9
	32,840	100.0	40,776	100.0	(7,936)	(19.5)

As explained in the above paragraph for the decrease in index futures and options trading, there was approximately 10.0% decrease in the trading fee received from energy futures which mainly represents light crude oil futures. Management believed that the decrease in the trading volume in light crude oil futures was driven by the fluctuation in crude oil prices during the Year which was unfavourable for clients to carry out speculative activities.

Our pricing strategy charged to our clients is mainly based on (i) the cost structure of trading of the relevant futures/options contracts, (ii) willingness and ability of our clients to pay for service provided by the Group and (iii) other factors of the clients such as background and profile.

Among the top five futures and options contracts traded through us by our clients, the gross commission and the net commission per each contract are as follows:

Product category	Year ended 31 December 2017		Year ended 31 December 2016	
	Gross commission HK\$ (Note 1)	Net commission HK\$ (Note 2)	Gross commission HK\$ (Note 1)	Net commission HK\$ (Note 2)
HSI Futures	47.1	47.1	54.2	54.2
Mini HSI Futures	11.7	11.7	13.9	13.9
Light Crude Oil Futures	156.6	141.7	156.6	141.7
Gold Futures	106.4	91.5	102.8	87.9
Euro FX Futures	75.8	59.8	84.2	68.2

Note:

- (1) "Gross commission" refers to the amount of fees which our clients were charged for trading futures and options products through our trading platform (inclusive of fees charged by our overseas brokers in respect of products traded on overseas futures exchanges, including their brokerage commission and overseas exchange and clearing fees) and assessment fees charged by National Futures Association, a self-regulating organisation in the United States derivatives industry.
- (2) "Net commission" refers to the amount of fees which were received by the Group in respect of each executed transaction facilitated through us, exclusive of the fees mentioned in Note 1.

As at 31 December 2017, we have 555 active clients (i.e. have executed at least one trade in the past twelve months period), which represents a decrease of 25.5% compared to 745 active clients as at 31 December 2016. Our business strategy is to target high net wealth clients which could generate high revenue to the Group. Our management does not view the number of active clients as a clear indicator of our business performance.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Other income

For the Year, the Group's other income amounted to approximately HK\$203,000, representing a slight increase of approximately 3.6% from HK\$196,000 for the Prior Year. The increase was mainly contributed by the increase in exchange gains, which was primarily affected by currency rate fluctuations, and offset by the decrease in sundry income.

Staff cost and remuneration policies

As at 31 December 2017, the Group engaged a total of 18 employees (2016: 17) including the executive Directors. For the Year, total staff costs amounted to approximately HK\$5.2 million (2016: approximately HK\$5.1 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance. Detailed policies are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

Other operating and administrative expenses

For the Year, the Group's other operating and administrative expenses ("G&A expenses") amounted to approximately HK\$12.4 million, representing an increase of approximately 6.6% from HK\$11.7 million for the Prior Year. Several key expense items being included in this category are discussed below:

(i) Trade-related expenses (accounts for 39.5% of G&A expenses)

In the Year, the trade-related expenses of the Group (including commission expenses paid to our AEs, overseas brokers, exchange fees and service fee for our trading software provider) were approximately HK\$4.9 million, which represents a decrease of 9.3% compared to HK\$5.4 million recorded in Prior Year. As most of these expenses are directly proportional to transactions executed through us, the decrease in trade volume in the Year leads to the decrease in the trade-related expenses.

(ii) Rental expenses (accounts for 20.9% of G&A expenses)

In the Year, the rental expenses remains the same as Prior Year. No new rental contract was entered during the Year.

(iii) Legal, professional and audit fee (accounts for 17.4% of G&A expenses)

In the Year, the legal, professional and audit fee increased sharply from HK\$1.1 million from Prior Year to HK\$2.2 million, represents an increase of 100.0%. Such sharp increase was mainly contributed by the increase in audit fee for the Group after listing and the professional service fee paid for enhancing our anti-money laundering procedures.

Listing expenses

For the Year, the Group's listing expenses amounted to approximately HK\$13.3 million, representing an increase of approximately 50.9% from HK\$8.8 million for the Prior Year. The increase was mainly due to the additional listing expenses recognised in the latter stage of listing being charged from different professional parties.

Income tax expenses

For the Year, the Group's income tax expense amounted to approximately HK\$2.7 million, representing a decrease of approximately 25.9% from approximately HK\$3.6 million for the Prior Year. Such decrease was mainly attributable to the decrease in taxable profit of the Group generated in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and financial resources

The Group's principal source of funds was cash generated from operations accumulated over the previous years. The Group recorded net current assets of approximately HK\$10.3 million as at 31 December 2017, compared to net current assets of approximately HK\$11.1 million as at 31 December 2016, such slight decrease was mainly due to loss recognised in the Year. As at 31 December 2017, the Group had cash and cash equivalents of approximately HK\$13.0 million. Its financial position has been further enhanced by the IPO proceeds obtained in January 2018.

Capital structure

For the year ended 31 December 2017, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group did not have any borrowing as at 31 December 2017 and up to the date of this annual report.

RISK MANAGEMENT

The Group is exposed to various types of risks in the normal course of the business, and four major risks namely operational risk, credit risk, liquidity risk and foreign currency risk are discussed below:

Operational risk

The Group's revenue is highly concentrated on our several key customers. In the Year, revenue attributable to the largest and 5 largest customers of the Group accounted for approximately 23.8% and 52.0% of the Group's total revenue for the year, respectively. Among our 5 largest customers, they averagely have approximately 5.2 years of relationship with the Group, ranging from 1 to 15 years. Management believed the Group could continue to retain these key customers by providing premium trading services.

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and the accounts receivables due from clients, overseas brokers and clearing house. Our management does not expect significant credit risk as all bank balances are placed with recognised banks in Hong Kong and the Group has comprehensive credit policy in place.

Liquidity risk

The Group is exposed to liquidity risk which arises from the timing difference between settlement with clearing house or overseas brokers and clients. Finance team of the Group works closely with the settlement staff to monitor the Group's liquidity position. The proceeds obtained from the listing proceeds further enhance the liquidity of the Group.

Foreign currency risk

The Group's transactions in the Year were denominated in Hong Kong Dollars and United States Dollar ("U.S. dollar"). As the Hong Kong Dollar is pegged to the U.S. dollar, no significant exposure to the currency risk is expected by the management. As the management expected the foreign currency risk is low, the Group currently does not have a foreign currency hedging policy.

CONTINGENT LIABILITIES

As of 31 December 2017 and up to the date of this report, the Group did not have any guarantees or other material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE PUBLIC LISTING OF SHARES

The following sets out a comparison and analysis of the business objectives as stated in the Prospectus dated 29 December 2017 (the "Prospectus") with the Group's actual business progress up to 31 December 2017:

Futures plans	Progress
Strengthen our position in the futures market by enhancing our marketing resources in the PRC	Working with our PRC lawyers on setting up the legal entity in Qianhai
Establish and commence our stock and stock options business	Applying licenses with respective regulatory bodies
Enhance the IT capability of the Group	Identification of target softwares, hardwares and the solutions from potential service providers, recruitment of programmers for our Artificial Intelligence trading software
Expand our manpower for providing more customised client services and to strengthen our compliance and operational and accounting capabilities	Screening potential candidates for job openings by our Human Resources department

The Company was successfully listed on GEM on 12 January 2018 and 200,000,000 ordinary shares were issued at HK\$0.40 per share on 11 January 2018 by way of share offer. Net proceeds from the share offer amounted to approximately HK\$46.8 million (after deducting the underwriting fees and other related expenses).

During the Year and up to the date of this report, the Group had only utilised insignificant amount of proceeds raised from the listing. The unutilised proceeds were placed on interest-bearing deposits with licensed banks in Hong Kong.

The Directors regularly evaluate the Group's business plan and may change or modify plans corresponding to the changing market condition to ascertain the business growth of the Group. During the Year, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

The Company was successfully listed on GEM on 12 January 2018 and 200,000,000 ordinary shares were issued at HK\$0.40 per share on 11 January 2018 by way of share offer. Net proceeds from the share offer amounted to approximately HK\$46.8 million (after deducting the underwriting fees and other related expenses).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Year, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Company as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the shareholders of the Company (the "Shareholders"), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and practices as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules and has adopted the CG Code as the code to govern the Company's corporate governance practices.

Since 12 January 2018 (the "Listing Date") up to the date of this annual report, the Company has complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 which is explained in the relevant paragraphs of this corporate governance report. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings from the Listing Date to the date of this report.

The Company has also adopted written guidelines as the code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities based on the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. No incidence of non-compliance of this code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises six members, consisting of three executive Directors and three independent non-executive Directors.

Executive Directors:

Mr. Poon Kwok Wah, Allan (*Chairman, Chief Executive Officer and Chairman of the Nomination Committee*)
Mr. Chan Ying Leung
Ms. Lee Mei Chun

Independent Non-executive Directors:

Mr. Chin Kam Cheung (*Chairman of the Audit Committee and member of the Remuneration Committee*)
Mr. Ang Wayne Wu-yee (*Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*)
Mr. Siu Miu Man (*Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*)

The biographical information of the Directors are set out on pages 6 to 7 of this annual report.

None of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT (continued)

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Mr. Poon Kwok Wah, Allan is the chairman and the chief executive officer of the Company and is responsible for the overall strategic planning, business development and operational management of the Group. In view of Mr. Poon Kwok Wah, Allan joined the Group in September 2000 as the general manager of Excalibur Global Financial Group Limited (駿溢環球金融集團有限公司), (formerly known as Home Great Investment Limited (亨偉投資有限公司), Excalibur Futures Limited (加利保期貨有限公司), and Excalibur Futures Limited (駿溢期貨有限公司)), the key operating subsidiary of the Company, the Board believes that it is in the best interest of the Group to have Mr. Poon Kwok Wah, Allan to take up both roles for effective management and business development of the Group. Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

Independent Non-executive Directors

From the Listing Date up to the date of this report, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and renewable but subject to the memorandum and the articles of association of the Company, the GEM Listing Rules and/or other applicable laws and regulations, unless terminated by not less than three months' notice in writing served by either party at any time after the date of the agreement.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with an initial term of three years commencing from the Listing Date, unless terminated by not less than one month's notice in writing served by either party.

Each of the Directors is subject to re-election at the annual general meeting of the Company ("AGM") after his appointment pursuant to the articles of association of the Company ("Articles"). The term of offices of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

CORPORATE GOVERNANCE REPORT (continued)

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors have timely access to the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The induction materials, including directors' manual and legal and regulatory update have been provided to the Directors upon appointment.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

CORPORATE GOVERNANCE REPORT (continued)

The Directors have participated in the following trainings up to the date of this report:

	Types of training
Executive Directors	
Mr. Poon Kwok Wah, Allan	A, B, C
Mr. Chan Ying Leung	A, B, C
Ms. Lee Mei Chun	A, B, C
Independent Non-executive Directors	
Mr. Chin Kam Cheung	A, B, C
Mr. Ang Wayne Wu-yee	A, B, C
Mr. Siu Miu Man	A, B, C

A Attending in-house briefing organised and trainings coordinated by the Company

B Attending seminars and trainings

C Reading materials relating to directors' duties and responsibilities

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

All or the majority of the members of the Board committees are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 19 December 2017 with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control, risk management or other matters of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Ang Wayne Wu-yee and Mr. Siu Miu Man (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). Mr. Chin Kam Cheung has been appointed as the chairman of the Audit Committee.

The Audit Committee shall meet the external auditors four times a year.

As the Company became listed on 12 January 2018, the Audit Committee did not hold any meeting during the year ended 31 December 2017.

The Audit Committee held a meeting on 5 February 2018 to review the audit plan and strategy prepared by the external auditors.

CORPORATE GOVERNANCE REPORT (continued)

The Audit Committee also held a meeting on 26 March 2018 to review the accounting principles and practices adopted by the Group and discuss risk management and internal control systems and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2017 and the independent auditor's report thereon before submission to the Board for approval.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 19 December 2017 with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, reviewing and making recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Ang Wayne Wu-yee, Mr. Chin Kam Cheung and Mr. Siu Miu Man. Mr. Ang Wayne Wu-yee has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

As the Company became listed on 12 January 2018, the Remuneration Committee did not hold any meeting during the year ended 31 December 2017.

The Remuneration Committee held a meeting on 17 January 2018 to review and recommend the remuneration of directors and senior management, and to recommend the 2018 salary adjustment rates for the Group's employees.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") on 19 December 2017 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size and composition, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director, Mr. Poon Kwok Wah, Allan, and two independent non-executive Directors, Mr. Ang Wayne Wu-yee and Mr. Siu Miu Man. Mr. Poon Kwok Wah, Allan has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee shall report to the Board after each meeting of the Nomination Committee.

As the Company became listed on 12 January 2018, the Nomination Committee did not hold any meeting during the year ended 31 December 2017.

The Nomination Committee held a meeting on 26 March 2018 to review the Board diversity policy and the independence of the independent non-executive Directors, and to consider and recommend to the Board on the re-election of Directors at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE REPORT (continued)

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings by Directors of securities transactions, as well as the Company's compliance with the CG Code and disclosure in this corporate governance report.

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

Remuneration bands	Number of Individuals
HK\$ Nil to HK\$1,000,000	5

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Company became listed on 12 January 2018 and all the Board Committees were established on 19 December 2017. The Board Committees did not convene any meeting during the year ended 31 December 2017.

One regular board meeting was held during the period from the Listing Date up to the date of this report.

On 26 March 2018, the chairman of the Board held a meeting with the independent non-executive Directors without the presence of the other executive Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The Company recognises the need for risk management in its strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposure that may impact the continued efficiency and effectiveness of the Company's operations or prevent it from achieving its business objectives.

The risk management objectives of the Company are to identify and effectively manage risks which the Group may face from time to time and to establish strong review and rectification processes and contingency procedures in order to prevent material financial and reputational losses and to ensure its ongoing business continuity and performance.

The Company has engaged an independent internal control consultant to conduct an evaluation of the internal control systems and to review, amongst others, its management of business operations, finance, human resources and information technology risks and to review and follow up on the effectiveness of the enhanced internal control measures, including key processes as referred to in the Company's previous non-compliance.

To identify, evaluate and manage risks arising from its operations, the Company has established a set of risk management policies and measures, including an established risk management team. Regular reviews and assessments will be conducted by the risk management team to manage and mitigate identified risks.

CORPORATE GOVERNANCE REPORT (continued)

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorised access and use of information are strictly prohibited.

The Group is exposed to various risks for the year ended 31 December 2017. These risks are set out in section headed Risk Management in section headed "Management Discussion and Analysis" of this annual report.

From the Listing Date up to the date of this report, the Board, as supported by the Audit Committee, the compliance officers and the independent internal control consultant providing the internal audit function, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The report of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 35 to 39.

AUDITOR'S REMUNERATION

KPMG is appointed as the external auditor of the Company.

For the year ended 31 December 2017, apart from the provisions of annual audit services, KPMG was also the reporting accountant of the Company in relation to the listing of the Company. During the year ended 31 December 2017, the total fees paid/payable in respect of audit services and non-audit services provided by KPMG are set out below:

Services rendered to the Group	Fees paid and payable HK\$
Audit services: 2017 annual audit	800,000
Non-audit services: Acting as reporting accountant in relation to the listing of the Company	1,000,000

COMPANY SECRETARY

The Board appointed Mr. Lo Wai Hang as the company secretary in compliance with the requirements of the GEM Listing Rules. Mr. Lo has confirmed that for the year ended 31 December 2017, he has taken no less than 15 hours of relevant professional training.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

CORPORATE GOVERNANCE REPORT (continued)

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings of the Company will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the website of the Company and of the Stock Exchange after each Shareholders' meeting of the Company.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- Any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.
- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 2512, Cosco Tower, 183 Queen's Road Central, Hong Kong, for the attention of the chairman of the Board.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address: Room 2512, Cosco Tower, 183 Queen's Road Central, Hong Kong
(For the attention of the Board of Directors)

Email: cs@excalibur.com.hk

Fax: (852) 2526-0618

CORPORATE GOVERNANCE REPORT (continued)

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles since the Listing Date. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the first Environmental, Social and Governance Report (the “ESG Report” or the “Report”) prepared by the Excalibur Global Financial Holdings Limited (the “Company”) and its subsidiaries (the “Group”) in accordance with Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company is committed to developing a sustainable business to the environment and the society. The ESG Report provides the overview of the Group’s performance in environmental, social and governance aspect during the year ended 31 December 2017.

FEEDBACK

The Group believes that different comments and feedback from stakeholders can help us improve the sustainability strategies and performance. If you have any suggestions or comments, please feel free to contact us by cs@excalibur.com.hk.

ENVIRONMENTAL

The Group is principally engaged in the provision of futures and options brokerage services to its clients mainly from Hong Kong and Mainland China as an intermediary with most of the business processed on computers and networks. Due to the business nature, the Group does not generate air emission, hazardous waste or waste water and does not have any significant impact on the environment. Despite this, the Group is committed to achieve environmental sustainability in energy saving, minimising the use of paper and other materials, and recycling.

Use of Resources

To reduce energy consumption, lights and other energy consuming equipment, such as computer, are switched off when not in use. As less employees stay in the office premise at night, air conditioning is turned off at 7:00 p.m. In the coming future, we are planning to deploy virtual machine in our server room to replace physical servers. This will increase the efficiencies of servers as well as reduce power consumption of our server room significantly. During the year ended 31 December 2017, we have consumed 102,195 units of electricity.

The Environment and Natural Resources

Besides energy consumption, paper use is the other consumption for our operational activities. To avoid wastage and reduce the use of paper, the Group deploys recycling boxes for paper and envelope recycling and encourages employees to print or photocopy on both sides of paper, and arranges company to collect toner cartridges for recycling. Apart from documents necessary for compliance/statutory requirements, staffs are encouraged to use electronic means for document storage and transmission between parties. Moreover, the Group encourages clients to receive the daily and monthly statements through email in order to promote environmental awareness and reduce the use of paper. We will measure the number of pages from our printers and sheets of papers that we ordered to indicate our performance. During the year ended 31 December 2017, we have printed approximately 222,000 pages from our printers and we have ordered approximately 120,000 sheets of paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL

Employment and Labour Standards

Employees are the Group's most valuable asset. The Group recruits the right people with fair and equitable manner, regardless of age, sex, physical or mental health status, marital status, family status, race, nationality, religion, political affiliation and sexual orientation and other factors. To retain talents, the Group aims to build a fair, respectful and harmonious working environment. The Group offer competitive remuneration, promotion opportunity, and compensation and benefit packages, such as celebrating employees' birthday.

The Group complies with all applicable laws and regulations in relation to employment matters. Child and forced labour are strictly prohibited. All job applicants are required to provide valid identity documents to ensure all of them are above the minimum legal working age.

Development and Training

The Group believes that employees are the most important asset. The Group's professional employees who are licensed as Responsible Officers or Licensed Representatives under the Securities and Futures Commission (the "SFC") are required to undertake sufficient continuous professional training ("CPT") in order to maintain their professional competence to remain fit and proper under the Securities and Futures Ordinance (Chapter 571). On-the-job training is provided to the employees during job induction, rotation and over their employment. Besides, the Group encourages and provides subsidies to employees to attend training seminars and courses to enhance their knowledge and skill, maximise their potential, and to keep pace with the market trend and keep them abreast of latest development of the relevant laws, rules and regulations.

Health and Safety

The Group pays attention to the employees' health and aims to provide a safe working environment. Employees are entitled to benefits including life insurance, hospital benefits and clinical subsidies. There was no breach of relevant laws and regulations during the year ended 31 December 2017.

OPERATING PRACTICE

Supply Chain Management

The Group cooperates with several suppliers and aims to maintain a good relationship with them. Our suppliers mainly provide trading platform service, networking service and supply of office equipments. The Group selects the suppliers mainly based on their stability, responsiveness, capability, price and experience. Further, the suppliers should comply with all relevant local and national laws and regulations.

Customer Services

The Group's core business focuses on the provision of futures and options brokerage services, and is regulated by the SFC. Through our personalised client services and efficient organisational structure, the Group provides our clients with fast and reliable access to the futures and options market. The high quality professional services help the Group to build a long-term relationship and establish clients' loyalty. As at 31 December 2017, there were 2 responsible officers to supervise each of its regulated activities and 9 licensed representatives accredited to the Group. 9 employees of the Group, including full-time employees and self-employed accounts executives, were licensed with the SFC in various activities: dealing in securities (Type 1 of Regulated Activities), dealing in futures contracts (Type 2 of Regulated Activities), and/or advising on futures contracts (Type 5 of Regulated Activities).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Data Privacy

The Group has committed to protecting privacy and confidentiality of personal data of our clients, business partners, employees and other identifiable individuals. Divulge or communicate any information concerning the Company or clients are not allowed and personal data is securely kept and processed only for the purposes for which it has been collected. All computers together with backup services are equipped with security features which require password access. Also, we comply with the Data Protection Principles in the Personal Data (Privacy) Ordinance, which represents the core of the Ordinance covering the life cycle of a piece of personal data. There were no issues occurred concerning any losses of data during the Reporting Period.

Anti-corruption/Anti-money Laundering

The Group is complying with applicable anti-money laundering and counter-terrorist financing laws, regulations and guidelines in Hong Kong. Employees are required to comply with the anti-money laundering guidelines adopted by us which involving client due diligence, ongoing monitoring and suspicious activity reporting and recording. Training sessions are provided to employees biannually to reinforce their knowledge of recognising and dealing with money laundering and terrorist financing. Employees are welcome and have responsibility to report all misconduct or malpractice at work in order to build an ethical culture among the Group. These actions are also recommended by the SFC and there were no legal cases regarding corrupt and money laundering practices during the reporting period.

Community Investment

As being a responsible and good corporate citizen, the Group is committed to making contribution to the community. Mr. Chan Ying Leung, the executive Director of the Company, is one of the vice chairman of the Ten Percent Donation Scheme Foundation, aiming to support youngsters to leave poverty through education. During the year ended 31 December 2017, Mr. Chan has donated HK\$ 49,800 to the Ten Percent Donation Scheme Foundation. The Group believes that by donating money to charitable organisations and encouraging employees to participate in voluntary events, a more harmony community can be built and more people in need can be benefited.

DIRECTORS' REPORT

The board (the "Board") of directors ("Directors") of Excalibur Global Financial Holdings Limited (the "Company") submit herewith their annual report of the Company together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Year").

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in Cayman Islands and has its registered office at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and principal place of business at Room 2512, 25/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 13 July 2016 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange since 12 January 2018 (the "Listing Date").

In preparation of the listing of the Shares on GEM of the Stock Exchange, the Group underwent a group reorganisation ("Reorganisation"), details of which have been set out in the section headed "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 29 December 2017.

USE OF PROCEED AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

A discussion on use of proceed and comparison of business objectives with actual business progress of the Group was set out in the section headed "Comparison of business objectives with actual business progress and use of proceeds from the public listing of shares" in section headed "Management Discussion and Analysis" set out on pages 9 to 13 of this annual report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are futures and options broking. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 9 to 13 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDEND

The Group's loss for the Year and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 40 to 73. The Directors of the Company do not recommend any payment of final dividend for the Year (2016: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2018 (Tuesday) to 8 June 2018 (Friday) (both days inclusive, 4 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 June 2018 (Monday).

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are shown on page 58 of the audited consolidated financial statements.

DIRECTORS' REPORT (continued)

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 23(a) to the financial statements. Details about the issue of shares are also set out in note 23(a) to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the listing of the shares of the Company was subsequent to the year ended 31 December 2017, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities for the Year.

RESERVES AND DISTRIBUTABILITY OF RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity.

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK\$Nil (2016: HK\$Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue attributable to the largest and 5 largest customers of the Group accounted for 23.8% and 52.0% of the Group's total revenue for the Year, respectively.

The Group is a provider of financial services. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

At no time during the Year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers.

DIRECTORS

The Directors of the Company from the Listing Date and up to the date of this report are as follows:

Executive Directors

Mr. Poon Kwok Wah, Allan (Chairman and Chief Executive Officer)
Mr. Chan Ying Leung
Ms. Lee Mei Chun

Independent Non-executive Directors

Mr. Chin Kam Cheung
Mr. Ang Wayne Wu-yee
Mr. Siu Miu Man

In accordance with article 108(a) of the articles of association of the Company ("Articles"), at each annual general meeting ("AGM") one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

DIRECTORS' REPORT (continued)

In accordance with article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such general meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

In accordance with the above provisions of the Articles, all the Directors, namely, Mr. Poon Kwok Wah, Allan, Mr. Chan Ying Leung, Ms. Lee Mei Chun, Mr. Chin Kam Cheung, Mr. Ang Wayne Wu-yea and Mr. Siu Miu Man, shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's prior notice in writing served by either party on the other.

None of the Directors proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 8 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 6 and 7 to the consolidated financial statements of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Other than as disclosed in the paragraph headed "Share Option Scheme" in this annual report, at no time during the period from the Listing Date was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT (continued)

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung (together the "Controlling Shareholders"), entered into the Deed of Non-competition in favour of the Company on 19 December 2017 (the "Deed of Non-competition"), details of which have been set out in the prospectus of the Company dated 29 December 2017.

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition throughout the period from the Listing Date up to the date of this annual report. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed of Non-competition by the Controlling Shareholders and confirmed that the Controlling Shareholders have not been in breach of the Deed of Non-competition from the Listing Date up to the date of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date up to the date of this annual report, none of the Directors or the Controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period from the Listing Date up to the date of this annual report.

MANAGEMENT CONTRACTS

From the Listing Date up to the date of this annual report, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

PERMITTED INDEMNITY PROVISIONS

Under the articles of association of the Company, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him/her. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Stock Exchange as at 31 December 2017, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at 31 December 2017.

As at the date of this report, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to the required standard of dealings by Directors were as follows:

Long Position in the Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Poon Kwok Wah, Allan (notes 3 and 4)	Beneficial owner; interest held jointly with another person	576,000,000 (L)	72.0%
Mr. Chan Ying Leung (notes 3 and 5)	Beneficial owner; interest held jointly with another person	576,000,000 (L)	72.0%

Notes:

- 1) The letter "L" denotes long position of Shares
- 2) The total number of the issued shares of the Company as at the date of this report was 800,000,000.
- 3) On 27 October 2017, Controlling Shareholders, namely Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of our Company. As such, pursuant to the parties acting in concert arrangement, each of Controlling Shareholders, i.e. Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung is deemed to be interested in 72.0% of the issued share capital of the Company.
- 4) 576,000,000 Shares in which Mr. Poon Kwok Wah, Allan is interested consist of (i) 288,000,060 Shares held by him; and (ii) 287,999,940 Shares in which Mr. Chan Ying Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon Kwok Wah, Allan.
- 5) 576,000,000 Shares in which Mr. Chan Ying Leung is interested consist of (i) 287,999,940 Shares held by him; and (ii) 288,000,060 Shares in which Mr. Poon Kwok Wah, Allan is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan Ying Leung.

Save as disclosed above, as at the date of this report, none of the Directors and the chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to the required standard of dealings by directors.

DIRECTORS' REPORT (continued)

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 19 December 2017 (the "Scheme") as approved by a written resolution of all Shareholders passed on 19 December 2017.

Details of the Scheme are as follows:

- | | |
|---|---|
| 1. Purpose of the Scheme | As incentives or rewards for employees' contributions to the Group |
| 2. Eligible participants to the Scheme | Any full-time or part-time employee of the Company and its subsidiaries, including any executive Directors, non-executive Directors and independent non-executive Directors, advisers, consultants of the Company or any of its subsidiaries |
| 3. Total number of Shares available for issue under the Scheme and percentage to the issued Shares as at the date of this annual report | 80,000,000 Shares, represents 10% of Shares in issue as at the Listing Date |
| 4. Maximum entitlement of each participant under the Scheme | 1% of Shares in issue from time to time in any 12-month period |
| 5. The period within which the Shares must be taken up under an option | To be determined by the Board on the date of grant |
| 6. The minimum period for which an option must be held before it can be exercised | To be determined by the Board on the date of grant |
| 7. The amount payable on application or acceptance of the option and the period within which payments or calls must be made | HK\$1.00 or such other nominal sum in any currency as the Board may determine |
| 8. The basis of determining the exercise price | Highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share |
| 9. The remaining life of the Scheme | The Scheme shall be valid and effective for a period of ten (10) years commencing on the adoption date of the Scheme which is 19 December 2017 |

No share option has been granted under the Scheme since its adoption and up to the date of this annual report.

DIRECTORS' REPORT (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as at 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders of the Company as at 31 December 2017.

So far as known to the Directors, as at the date of this report, the following persons had or were deemed to have interests in shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Long Position in the Shares and underlying Shares of the Company

Name of shareholders	Capacity/ Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Poon Kwok Wah, Allan (notes 3 and 4)	Beneficial owner; interest held jointly with another person	576,000,000 (L)	72.0%
Mr. Chan Ying Leung (notes 3 and 5)	Beneficial owner; interest held jointly with another person	576,000,000 (L)	72.0%

Note:

- 1) The letter "L" denotes long position of Shares
- 2) The total number of the issued Share of the Company as at the date of this report was 800,000,000.
- 3) On 27 October 2017, Controlling Shareholders, namely Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of our Company. As such, pursuant to the parties acting in concert arrangement, each of Controlling Shareholders, i.e. Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung is deemed to be interested in 72.0% of the issued share capital of the Company.
- 4) 576,000,000 Shares in which Mr. Poon Kwok Wah, Allan is interested consist of (i) 288,000,060 Shares held by him; and (ii) 287,999,940 Shares in which Mr. Chan Ying Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon Kwok Wah, Allan.
- 5) 576,000,000 Shares in which Mr. Chan Ying Leung is interested consist of (i) 287,999,940 Shares held by him; and (ii) 288,000,060 Shares in which Mr. Poon Kwok Wah, Allan is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan Ying Leung.

Save as disclosed above, as at the date of this report, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

DIRECTORS' REPORT (continued)

RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 26 to the consolidated financial statements. The related party transactions are either connected transactions or continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under Rule 11.23(7) of the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Alliance Capital Partners Limited, the Company's compliance adviser, neither it nor any of its Directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Alliance Capital Partners Limited on 22 February 2017 (the "Compliance Adviser Agreement")) as at 31 December 2017.

Pursuant to the Compliance Adviser Agreement, Alliance Capital Partners Limited has received and will receive fees for acting as the Company's compliance adviser.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 14 to 22 of this annual report.

ENVIRONMENTAL POLICY

Environmental policy is set out in the section of "Environmental, Social and Governance Report" in this report on pages 23 to 25.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year.

RETIREMENT SCHEMES

The Group has a Mandatory Provident Fund Schemes for all employees. The employer's retirement benefit costs charged to the profit or loss for the Year are set out in note 5(a) to the consolidated financial statements.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 74 of the annual report. This summary does not form part of the audited consolidated financial statements.

EVENTS AFTER THE YEAR

Details of the events after the Year are set out in note 29 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

REVENUE FROM RELATED PERSONS

The amounts of revenue generated from related persons for the Year are as follows:

	Revenue in 2017 HK\$'000
Mr. Chan Ying Leung (Note 1)	— [#]
Self-employed Accounts Executive ("AE") (own accounts) (Note 2)	5
Self-employed AE (sub-accounts) (Note 2)	198
Staff dealing (Note 2)	Nil
Mr. Lui Shing Yiu, Dominic (Note 3)	965
Mr. Lin Ke (Note 3)	746
Mr. Lau Kwok Ming, Farther (Note 4)	1

[#] Revenue amount below HK\$1,000

Notes:

- 1 Mr. Chan Ying Leung is defined as connected person under Chapter 20 of GEM Listing Rules as he is an executive Director and a Controlling Shareholder of the Company).
- 2 Self-employed AEs and staff are defined as related person as they are employed by the Group.
- 3 Mr. Lui Shing Yiu, Dominic and Mr. Lin Ke are defined as related persons of the Group as they were closely related to one of the major suppliers historically.
- 4 Mr. Lau Kwok Ming, Farther is defined as related person of the Group as he was previously employed by the Group.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chin Kam Cheung (chairman of the Audit Committee), Mr. Ang Wayne Wu-yee and Mr. Siu Miu Man. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2017.

AUDITORS

The financial statements for the Year have been audited by KPMG, who will retire at the conclusion of the forthcoming AGM. KPMG, being eligible, will offer themselves for re-appointment. The Company has not changed its external auditors since the Listing Date up to the date of this Annual Report. As resolution will be proposed at the forthcoming AGM for the re-appointment of KPMG as the auditors of the Company.

By order of the board

Poon Kwok Wah, Allan

Executive Director and Chief Executive Officer

26 March 2018, Hong Kong

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Excalibur Global Financial Holdings Limited

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Excalibur Global Financial Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 40 to 73, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

Revenue recognition — Brokerage commission income

Refer to Note 3 to the consolidated financial statements and the accounting policies on page 52.

The Key Audit Matter

How the matter was addressed in our audit

Brokerage commission income represented 99% of the total income of the Group for the year ended 31 December 2017.

Our audit procedures to assess the recognition of brokerage commission income included the following:

Brokerage commission income arising from futures and options broking is recognised on a trade date basis.

We identified the recognition of brokerage commission income as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that revenue could be subject to manipulation to meet specific targets or expectations.

- assessing the design, implementation and operating effectiveness of key internal controls relating to revenue recognition;
- reading customer service agreements, on a sample basis, and considering the Group's revenue recognition policies with reference to the terms of the customer service agreements and the requirements of the prevailing accounting standards;
- forming an expectation of brokerage commission income for the current year with reference to trading volumes and commission rates and comparing our expectations with the actual brokerage commission income recognised for the year and investigating any significant differences between our expectation and the actual amounts recorded by the Group;
- agreeing, on a sample basis, brokerage commission income recognised to statements issued by the brokers or the exchanges; and
- obtaining confirmations, on a sample basis, on brokerage commission income received from customers and comparing the results with the brokerage commission income recorded by the Group.

INDEPENDENT AUDITOR'S REPORT (continued)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	3	32,840	40,776
Other net income	4	203	196
Salaries and other benefits	5(a)	(5,162)	(5,051)
Other operating and administrative expenses	5(b)	(12,430)	(11,660)
Listing expenses		(13,337)	(8,838)
Profit before tax	5	2,114	15,423
Income tax expense	8	(2,692)	(3,635)
(Loss)/profit for the year and total comprehensive income for the year		(578)	11,788
Attributable to:			
Equity shareholders of the Company		(971)	11,042
Non-controlling interests		393	746
Total comprehensive income for the year		(578)	11,788
(Loss)/earnings per share			
Basic and diluted (cents)	9	(0.16)	1.84

The Group had no components of comprehensive income other than “(loss)/profit for the year” in either of the years presented. Accordingly, the Group’s “total comprehensive income” was the same as the “(loss)/profit for the year” in both years.

The notes on pages 44 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (Expressed in Hong Kong dollars)

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property and equipment	10	137	101
Intangible assets	11	480	480
Statutory deposits	12	1,723	1,544
Other assets	15	644	644
		2,984	2,769
Current assets			
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	14	11,938	11,788
Other assets	15	1,392	1,769
Amounts due from related parties	17	–	28
Financial assets at fair value through profit or loss	19	54	122
Cash and cash equivalents	16(b)	12,964	10,472
Current tax assets	22	238	–
		26,586	24,179
Current liabilities			
Accounts payable arising from ordinary course of business of trading in futures contracts and options	20	10,440	10,196
Other payables and accruals	21	5,874	1,444
Amounts due to a related party	18	–	325
Current tax liabilities	22	–	1,149
		16,314	13,114
Net current assets		10,272	11,065
NET ASSETS		13,256	13,834
CAPITAL AND RESERVES			
Share capital	23(a)	6,000	–
Retained earnings		10,055	11,026
Other reserves		(2,799)	2,062
Total equity attributable to equity shareholders of the Company		13,256	13,088
Non-controlling interest		–	746
TOTAL EQUITY		13,256	13,834

Approved and authorised for issue by the board of directors on 26 March 2018.

Poon Kwok Wah, Allan

Directors

Chan Ying Leung

The notes on pages 44 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Share capital HK\$'000	Retained earnings HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2017	23(a)	–	11,026	2,062	13,088	746	13,834
Loss for the year and total comprehensive income for the year		–	(971)	–	(971)	393	(578)
Effect of the Reorganisation	23(a)						
— Issuance of new ordinary shares		6,000	–	(6,000)	–	–	–
— Acquisition of non-controlling interest		–	–	1,139	1,139	(1,139)	–
At 31 December 2017	23(a)	6,000	10,055	(2,799)	13,256	–	13,256
At 1 January 2016		–	25,984	2,062	28,046	1,364	29,410
Profit for the year and total comprehensive income for the year		–	11,042	–	11,042	746	11,788
Dividend paid		–	(26,000)	–	(26,000)	(1,364)	(27,364)
At 31 December 2016	23(a)	–	11,026	2,062	13,088	746	13,834

The notes on pages 44 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	2017 HK\$'000	2016 HK\$'000
Cash generated from operations	16(a)	6,656	17,707
Income tax paid		(4,079)	(6,033)
Net cash generated from operating activities		2,577	11,674
Investing activities			
Interest received		2	6
Purchases of property and equipment		(87)	(68)
Net cash used in investing activities		(85)	(62)
Financing activities			
Dividend paid		–	(27,364)
Net cash used in financing activities		–	(27,364)
Net increase/(decrease) in cash and cash equivalents		2,492	(15,752)
Cash and cash equivalents at the beginning of the year		10,472	26,224
Cash and cash equivalents at the end of year	16(b)	12,964	10,472

The notes on pages 44 to 73 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL

Excalibur Global Financial Holdings Limited (“the Company”) was incorporated in Cayman Islands on 13 July 2016 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company has not carried on any business since the date of its incorporation save for the Group reorganisation below. The Company and its subsidiaries (together, “the Group”) mainly provide brokerage services for futures and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom.

Pursuant to a group reorganisation (“the Reorganisation”) on 12 October 2017, the Company became the holding company of the companies now comprising the Group. Further details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the Company’s prospectus dated 29 December 2017.

In connection with the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange of Hong Kong”), 200,000,000 new ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.40 per share for a total cash consideration, before expenses, of HK\$80,000,000. Dealings in the shares of the Company on the Stock Exchange of Hong Kong commenced on 12 January 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong (“GEM Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(s) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Excalibur Global Financial Group Limited (“Excalibur Global BVI”) and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company’s shares on GEM of the Stock Exchange of Hong Kong, the Group underwent the Reorganisation. Upon completion of the Reorganisation, the Company became the holding company of the Group. As Excalibur Global BVI was controlled by Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of Excalibur Global BVI, the former holding company of the Group. Accordingly, the Reorganisation has been accounted for using a principle similar to that as a reverse acquisition, with Excalibur Global BVI treated as the acquirer for accounting purposes. The consolidated financial statements have been prepared and presented as a continuation of the financial statement of Excalibur Global BVI with the assets and liabilities of Excalibur Global BVI recognised and measured at their historical carrying amounts prior to the Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Major steps of the Reorganisation are as follows:

- (i) On 13 July 2016, the Company was incorporated under the laws of the Cayman Islands. Upon incorporation of the Company, one subscriber share was allotted and issued at par to Reid Services Limited ("Reid Services") as the initial subscriber. On 13 July 2016, Reid Services transferred such one share to Mr. Poon Kwok Wah, Allan. On the same date, the Company allotted and issued at par 18,999 shares and 19,000 shares to Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung, respectively, following which the Company became legally and beneficially owned as to 50% by each of Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung.
- (ii) On 12 October 2017, Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung, controlling shareholders of the Company, each transferred one share in Excalibur Global BVI to the Company in exchange of 4,780,999 shares of the Company respectively. Excalibur Global BVI became a directly wholly-owned subsidiary of the Company.
- (iii) On 12 October 2017, Mr. Poon Kwok Wah, Allan and Mr. Ding Yimin, shareholders of New Century Excalibur Holdings Limited ("New Century"), transferred one share and 200,000 shares respectively to Excalibur Global BVI in consideration of (i) the allotment and issue of two shares by the Company to Mr. Poon Kwok Wah, Allan; and (ii) the allotment and issue of 400,000 shares by the Company to Fortune Millennium Investment Limited (solely owned by Mr. Ding Yimin). New Century became a directly wholly-owned subsidiary of Excalibur Global BVI.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal subsidiary activities
			Held by the Company	Held by the subsidiary	
Excalibur Global BVI	British Virgin Islands 6 July 2009	US\$2	100%	–	Investment Holding
New Century	Hong Kong 29 June 2011	HK\$20,780,000	–	100%	Investment Holding
Excalibur Global Financial Group Limited 駿溢環球金融集團有限公司	Hong Kong 18 November 1993	HK\$12 million	–	100%	Futures brokerage business

All companies comprising the Group have adopted 31 December as their financial year end date.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets that are designated at fair value through profit or loss are stated at their fair value as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements 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 revision affects both current and future periods.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Intangible assets

The trading right held in the HKFE is recognised as an intangible asset on the statement of financial position. It is stated at cost less impairment losses. The trading right is considered to have an indefinite useful life. The conclusion that the trading right has an indefinite useful life is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

(d) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(f)).

Depreciation is calculated to write off the cost of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements	Over the lease terms
— Computer equipment	33 $\frac{1}{3}$ %
— Fixtures and furniture	20%
— Office equipment	20%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in the profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

(i) Impairment of accounts receivable and other receivables

Accounts receivable and other receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For accounts receivable and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(ii) Impairment of property and equipment

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(g) Amounts payable and other payables

Amounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(i) Investments in equity securities

The Group's policies for investments in equity securities are as follows:

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

These financial assets and financial liabilities are carried at fair value. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividends on these investments as these are recognised in accordance with the policies set out in Note 2(m). Upon disposal or repurchase, the difference between the net sales proceeds or the net payment and the carrying value is included in profit or loss.

Fair value measurement principles

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Subsequent measurement of the fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(k) Employee benefits

(i) Salaries, bonuses and leave benefits

Employee entitlements to salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are recognised when they accrue to employees. The unutilised annual leave cannot be carried forward to next year. Any leave balances at the end of the calendar year shall be forfeited.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(ii) Retirement benefits

Retirement benefits are provided to eligible staff of the Group. Hong Kong employees enjoy retirement benefits under the Mandatory Provident Fund Scheme ("MPFS"), which is defined contribution scheme. The employer's monthly contributions to the scheme are at a maximum of 5% of each employee's monthly salary, subject to a maximum amount as required by the Mandatory Provident Schemes Authority from time to time.

The cost is charged to profit or loss for the period concerned and the assets are held separately from those of the Company. Under the MPFS, the employer's contribution is reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

All transactions related to futures and options contracts dealings and the commission income that arises are recognised and accounted for on a trade date basis. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

Interest income is recognised as it accrues using the effective interest method.

Dividend income from listed investments is recognised when the share price of the investments goes ex-dividend.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(o) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and corporations. These assets arising thereon are excluded from these financial statements, as they are not assets of the Group.

(p) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the statement of profit or loss and other comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the statement of profit or loss and other comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Related parties

- (1) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (1);
 - (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(r) Segregated accounts

Segregated accounts maintained by the Company to hold clients' monies are treated as off-balance sheet items which are not recognised in the statement of financial position and disclosed in Note 16(b) to the financial statements.

(s) Changes in accounting policies

The HKICPA has issued amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE

The principal activities of the Group are futures and options broking.

Revenue represents the brokerage commission from futures and options broking.

	2017 HK\$'000	2016 HK\$'000
Hong Kong market	6,403	12,393
Overseas markets	26,437	28,383
	32,840	40,776

4 OTHER NET INCOME

	2017 HK\$'000	2016 HK\$'000
Interest income	2	4
Exchange gain, net	155	122
Loss on financial assets at fair value through profit or loss	(68)	(70)
Sundry income	114	140
	203	196

5 PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
(a) Staff costs		
Salaries and allowances	4,913	4,814
Staff welfares	42	47
Retirement scheme contributions	207	190
	5,162	5,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAX (continued)

	2017 HK\$'000	2016 HK\$'000
(b) Other operating and administrative expenses		
IT and communication expenses	4,748	4,746
Marketing expenses	23	101
Commission expenses	1,495	1,641
Rental expenses	2,603	2,468
Legal and professional fees	1,362	821
Auditors' remuneration	805	305
Depreciation of property and equipment	51	76
Other expenses	1,343	1,502
	12,430	11,660

6 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to the GEM Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	2017				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
Directors					
Poon Kwok Wah, Allan	–	600	–	18	618
Chan Ying Leung	–	300	–	15	315
Lee Mei Chun	–	477	–	18	495
Chin Kam Cheung	–	–	–	–	–
Ang Wayne Wu-yee	–	–	–	–	–
Siu Miu Man	–	–	–	–	–
Total	–	1,377	–	51	1,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

6 DIRECTORS' REMUNERATION (continued)

Name	2016				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
Directors					
Poon Kwok Wah, Allan	–	600	–	18	618
Chan Ying Leung	–	300	–	15	315
Lee Mei Chun	–	474	–	18	492
Total	–	1,374	–	51	1,425

Chin Kam Cheung, Ang Wayne Wu-yee and Siu Miu Man were appointed as independent non-executive directors of the Company on 19 December 2017.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2017, the five individuals with highest emoluments included three directors (2016: three) whose emoluments are disclosed in Note 6. The aggregate of the emoluments are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowance and benefits in kind	2,373	2,356
Retirement scheme contributions	87	87
	2,460	2,443

The number of these individuals whose remuneration fell within in the following band is set out below:

	2017 Number of individuals	2016 Number of individuals
HKD Nil to HKD 1,000,000	5	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 HK\$'000	2016 HK\$'000
Current tax		
Hong Kong Profits Tax	2,692	3,954
Overprovision in respect of prior year	–	(319)
	2,692	3,635
Deferred tax		
Origination and reversal of temporary differences	–	–

The provision for Hong Kong Profits Tax for year ended 31 December 2017 is calculated at 16.5% (2016: 16.5%).

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2017 HK\$'000	2016 HK\$'000
Profit before tax	2,114	15,423
Income tax at applicable tax rate of 16.5%	349	2,545
Tax effect of temporary differences	(15)	(4)
Tax effect on non-deductible expenses	2,360	1,402
Tax effect on non-taxable income	(14)	(1)
Over-provision in prior year	–	(319)
Others	12	12
Actual tax expense	2,692	3,635

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the financial year is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2017 of HK\$971,000 (2016: profit of HK\$11,042,000), and the weighted average number of shares in issue during the year ended 31 December 2017 of 600,000,000 (2016: 600,000,000). The weighted average number of shares in issue during the years ended 31 December 2017 and 2016 is based on the assumption that 600,000,000 ordinary shares were in issue as if the shares issued at the date the Company became the holding company of the Group were outstanding throughout the years ended 31 December 2017 and 2016. No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

10 PROPERTY AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and fixture HK\$'000	Computer equipment HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost:					
At 1 January 2017	676	41	4,421	1,382	6,520
Additions	-	-	87	-	87
At 31 December 2017	676	41	4,508	1,382	6,607
Accumulated depreciations:					
At 1 January 2017	(676)	(31)	(4,376)	(1,336)	(6,419)
Charge for the year	-	(4)	(35)	(12)	(51)
At 31 December 2017	(676)	(35)	(4,411)	(1,348)	(6,470)
Net carrying values:					
At 31 December 2017	-	6	97	34	137
Cost:					
At 1 January 2016	676	41	4,402	1,333	6,452
Additions	-	-	19	49	68
At 31 December 2016	676	41	4,421	1,382	6,520
Accumulated depreciations:					
At 1 January 2016	(676)	(25)	(4,319)	(1,323)	(6,343)
Charge for the year	-	(6)	(57)	(13)	(76)
At 31 December 2016	(676)	(31)	(4,376)	(1,336)	(6,419)
Net carrying values:					
At 31 December 2016	-	10	45	46	101

11 INTANGIBLE ASSET

	2017 HK\$'000	2016 HK\$'000
HKFE trading right	480	480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

12 STATUTORY DEPOSITS

	2017 HK\$'000	2016 HK\$'000
Reserve fund deposit with HKFE Clearing Corporation Limited	1,723	1,544

13 INVESTMENT IN SUBSIDIARIES

During the year, the Company had direct or indirect interests in the follow subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place of incorporation and business	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Excalibur Global Financial Group Ltd	British Virgin Islands	US\$2	100%	–	Investment holding
New Century Excalibur Holdings Ltd	Hong Kong	HK\$20,780,000	–	100%	Investment holding
Excalibur Global Financial Group Ltd 駿溢環球金融集團有限公司	Hong Kong	HK\$12 million	–	100%	Futures brokerage business

14 ACCOUNTS RECEIVABLE ARISING FROM THE ORDINARY COURSE OF BUSINESS OF TRADING IN FUTURES CONTRACTS AND OPTIONS

	2017 HK\$'000	2016 HK\$'000
Accounts receivable		
— Cash clients	143	45
— Clearing house	5,665	4,264
— Overseas brokers	6,130	7,479
	11,938	11,788

Aging analysis

The normal settlement terms of accounts receivable from cash clients and clearing house and overseas brokers are one day after trade.

The aging analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017 HK\$'000	2016 HK\$'000
0–30 days	11,938	11,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

14 ACCOUNTS RECEIVABLE ARISING FROM THE ORDINARY COURSE OF BUSINESS OF TRADING IN FUTURES CONTRACTS AND OPTIONS (continued)

Accounts receivable that were past due but not impaired relate to a number of independent customers that either have a good track record for repayment with the Group or fully settled the outstanding balances within a few days subsequently. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances would be fully recoverable within a short period. The Group does not hold any collateral over these balances.

Impairment loss in respect of receivables from margin clients are recorded using an allowance account unless the Company considered that recovery of the amount is remote in which case the impairment loss is written off against margin client receivables directly (see Note 2(f)).

15 OTHER ASSETS

	2017 HK\$'000	2016 HK\$'000
Current assets		
Prepayment	1,336	1,719
Rental and other deposits	41	41
Other receivables	15	9
	1,392	1,769
Non-current assets		
Rental and management fee deposits	644	644
	2,036	2,413

Except for rental and management fee deposits, all of the prepayments, deposits and receivables are expected to be recovered or recognised as expenses within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS

(a) Reconciliation of profit before tax to net cash generated from operating activities:

	2017 HK\$'000	2016 HK\$'000
Operating activities		
Profit before tax	2,114	15,423
Adjustments for:		
Interest income	(2)	(4)
Loss on changes in fair value of financial assets at fair value through profit or loss	68	70
Depreciation	51	76
Operating cash flows before movements in working capital	2,231	15,565
Increase in statutory deposits	(179)	(27)
Increase in accounts receivable arising from ordinary course of business of trading in futures contracts and options	(150)	(1,069)
Decrease/(increase) in prepayment, deposits and other receivables	377	(1,732)
Decrease in amounts due from related parties	28	4,702
(Decrease)/increase in amounts due to a related party	(325)	280
Increase/(decrease) in accounts payable arising from ordinary course of business of trading in futures contracts and options	244	(345)
Increase in other payables and accruals	4,430	333
Cash generated from operations	6,656	17,707

(b) Cash and cash equivalents comprise:

	2017 HK\$'000	2016 HK\$'000
Cash at banks and on hand	12,964	10,472

The Group maintains segregated accounts with authorised institutions as a result of its normal business transactions. Segregated accounts not otherwise dealt with in these account amounted to HK\$32,327,000 as at 31 December 2017 (2016: HK\$41,388,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

17 AMOUNTS DUE FROM RELATED PARTIES

	2017 HK\$'000	2016 HK\$'000
Future Concept Limited	–	12
Ding Yimin (Shareholder of the Company)	–	16
	–	28

The amounts are unsecured, interest-free and have no fixed terms of repayment.

Poon Kwok Wah, Allan is a director of Future Concept Limited and the Group.

18 AMOUNTS DUE TO A RELATED PARTY

	2017 HK\$'000	2016 HK\$'000
Poon Kwok Wah, Allan (Director of the Group)	–	325

The amounts are unsecured, interest-free and have no fixed terms of repayment.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$'000	2016 HK\$'000
Long positions in trading securities		
— Equity securities listed in Hong Kong	54	122

The fair values of the above listed securities were determined basing on the quoted market bid prices available on the Stock Exchange of Hong Kong.

20 ACCOUNTS PAYABLE ARISING FROM ORDINARY COURSE OF BUSINESS OF TRADING IN FUTURES CONTRACTS AND OPTIONS

	2017 HK\$'000	2016 HK\$'000
Accounts payable		
— Cash clients	10,440	10,196

Accounts payable to clients arising from the business of trading in futures contracts and options are margin deposits received from clients for their trading of futures contracts and options on the HKFE and overseas exchanges through overseas brokers.

All of the accounts payable are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

21 OTHER PAYABLES AND ACCRUALS

Other payables and accruals are unsecured and are expected to be settled within one year.

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current taxation in the consolidated statement of financial position represents:

	2017 HK\$'000	2016 HK\$'000
Provision for Hong Kong Profits tax	–	(1,149)
Tax recoverable	238	–
	238	(1,149)

23 SHARE CAPITAL AND RESERVES

(a) Authorised and issued share capital

	No. of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At date of incorporation and 1 January 2017 (note a)	38,000,000	380
Increase in authorised share capital (note b)	9,962,000,000	99,620
	10,000,000,000	100,000
Issued:		
At date of incorporation and 1 January 2017 (note c)	38,000	–
Issuance of shares for the Reorganisation (note d)	599,962,000	6,000
At 31 December 2017	600,000,000	6,000

Notes:

- On 13 July 2016, the Company was incorporated as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided by 38,000,000 shares of HK\$0.01 each under the laws of the Cayman Islands.
- On 19 December 2017, the Board has approved the increase of the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 shares.
- Prior to the Reorganisation of the Group on 12 October 2017, the share capital of the Group represented the aggregate amount of share capital of the companies comprising the Group.
- Pursuant to the Reorganisation as set out in Note 2(a) on 12 October 2017, the Company's issued share capital was increased from HK\$380 to HK\$100,000 through the issuance of 4,781,001 shares, 4,780,999 shares and 400,000 shares, credited as fully paid, to Mr. Poon Kwok Wah, Allan, Mr. Chan Ying Leung and Fortune Millennium Investment Limited (solely owned by Mr. Ding Yimin) respectively. Subsequently on 19 December 2017, the Company's issued share capital was increased from HK\$100,000 to HK\$6,000,000 through the issuance of 283,200,059 shares, 283,199,941 shares and 23,600,000 shares, credited as fully paid, to Mr. Poon Kwok Wah, Allan, Mr. Chan Ying Leung and Fortune Millennium Investment Limited respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

23 SHARE CAPITAL AND RESERVES (continued)

(b) Retained earnings

Retained earnings are accumulated profit or loss since incorporation. Within retained earnings, a gain on bargain purchase of HK\$9,223,000 was recognised as a result of the acquisition of 80% shares of New Century on 19 October 2012.

During 2016, an interim dividend of HK\$26,000,000 and HK\$1,364,000 were declared and paid to the shareholders of the Company and non-controlling shareholder of the subsidiary — New Century.

(c) Other reserve

On 9 July 2015, the Group further acquired 16% of the issued share capital of New Century, at a consideration of HK\$4,000,000, resulting in a gain of HK\$2,062,000 recognised in other reserves.

On 12 October 2017, the Group further acquired the 4.00002% of New Century as disclosed in Note 2(a) under the Reorganisation. New Century then became a wholly-owned subsidiary of the Group. The non-controlling interest of HK\$1,139,000 as at that date was transferred to other reserves.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern.

The Group defines "capital" as including all components of equity less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Group as capital. On this basis the amount of capital employed at 31 December 2017 amounted to HK\$13,256,000 (2016: HK\$13,834,000).

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group to which the Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Hong Kong Companies Ordinance. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

Excalibur Global Financial Group Limited, a subsidiary of the Group, as a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, is subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR"). The minimum paid-up share capital requirement is HK\$5,000,000 and the minimum liquid capital requirement is the higher of HK\$3,000,000 and the variable required liquid capital as defined in the FRR. The subsidiary complied with the liquid capital requirements under FRR for the year ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL INSTRUMENTS

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and accounts receivable due from clients, clearing houses and overseas brokers.

The Group is not exposed to significant credit risk because all bank balances are placed with reputable banks in Hong Kong and management has a credit policy in place and exposures to accounts receivables from clients are monitored on an on-going basis. Transactions are limited to high-credit-quality financial institutions and only brokers with sound credit ratings will be accepted.

Initial margin from client is required before entering a trading position. Market conditions and adequacy of margin deposits of each futures account are monitored by management on a daily basis. Margin calls are made when necessary. In respect of accounts receivables from clearing house. Credit risk is considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any other guarantees which expose the Group to credit risk.

(b) Liquidity risk

As a licensed corporation registered under the Hong Kong Securities and Futures Ordinance. Excalibur Global Financial Group Limited, a subsidiary of the Group, is required to monitor its current and ongoing liquidity requirements to ensure the compliance with liquid capital requirements of the FRR.

The Group's policy is to maintain sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand HK\$'000	Within 6 months HK\$'000
At 31 December 2017				
Accounts payable arising from ordinary course of business of trading in futures contracts and options	10,440	10,440	10,440	–
Other payables and accruals	5,874	5,874	–	5,874
At 31 December 2016				
Accounts payable arising from ordinary course of business of trading in futures contracts and options	10,196	10,196	10,196	–
Other payables and accruals	1,444	1,444	–	1,444
Current tax liabilities	1,149	1,149	–	1,149

(c) Interest rate risk

Financial assets such as accounts receivables, bank balances and cash deposits with regulatory bodies are primarily interest generating at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

(d) Currency risk

The Group's functional currency is Hong Kong dollars. The Group is exposed to currency risk primarily through provision of brokerage service for futures and options trading giving rise to receivables, payables and cash balances that are denominated in other currencies, being United States dollars ("USD"), Chinese Yuan ("CNY"), British Pounds ("GBP"), Japanese Yen ("JPY") and Eurodollars ("EUR").

As the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. In respect of balances denominated in CNY, GBP, JPY and EUR, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalance. The management monitors all the foreign currency positions on a daily basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

Exposure to currency risk and sensitivity analysis

The Group's net exposure to CNY, GBP, JPY, and EUR at the reporting date and the estimated impact to the Group's profit before tax, and retained profits for the year had the foreign exchange rate of respective currency at the date are illustrated below. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2017			2016		
	Net assets in foreign currency HK\$'000	Appreciation/ (depreciation) in foreign currency %	Effect on profit before tax and retained profits HK\$'000	Net assets in foreign currency HK\$'000	Appreciation/ (depreciation) in foreign currency %	Effect on profit before tax and retained profits HK\$'000
Chinese Yuan (CNY)	374	5 (5)	19 (19)	369	5 (5)	18 (18)
British Pounds (GBP)	6	5 (5)	– –	5	5 (5)	– –
Japanese Yen (JPY)	317	5 (5)	16 (16)	299	5 (5)	14 (14)
Eurodollars (EUR)	755	5 (5)	38 (38)	–	5 (5)	– –

The sensitivity analysis assumes that the change in foreign exchange rate has been applied to re-measure those net assets which expose the Group to foreign currency risk at the reporting date. The analysis is performed on the same basis for 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL INSTRUMENTS (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from its investments in equity securities (see Note 19).

The Group's equity investments are listed on the Stock Exchange of Hong Kong.

Sensitivity analysis

If the prices of the respective equity instruments had been 5% higher/lower, the profit for the year ended 31 December 2017 would increase/decrease by HK\$3,000 (2016: HK\$6,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

(f) Fair value measurement

Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 December 2017, the only financial instruments of the Company carried at fair value were listed equity securities of HK\$54,000 (2016: HK\$122,000) listed on the Stock Exchange of Hong Kong (see Note 19). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

25 OPERATING LEASES COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating lease are payables as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 year	2,259	2,259
After 1 year but within 5 years	1,607	3,866
	3,866	6,125

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions:

	2017 HK\$'000	2016 HK\$'000
Transactions:		
Ding Yimin, shareholder of the Company Consultancy fee	360	360

(b) Directors' are the only key management personnel of the Group. Directors' remunerations is set out in Note 6.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the ultimate controlling shareholders of the Company to be Mr. Poon Kwok Wah, Allan and Mr. Chan Ying Leung.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 HK\$'000	2016 HK\$'000
Non-current assets		
Investment in a subsidiary	–	–
Current assets		
Other assets	72	136
Amounts due from related parties	–	–
	72	136
Current liabilities		
Other payables and accruals	2,474	–
Amount due to a subsidiary	1,425	587
	3,899	587
Net current liabilities	(3,827)	(451)
NET LIABILITIES	(3,827)	(451)
CAPITAL AND RESERVE		
Share capital	6,000	–
Accumulated deficit	(3,827)	(451)
Other reserve	(6,000)	–
TOTAL EQUITY	(3,827)	(451)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In connection with the listing of the shares of the Company on the GEM of the Stock Exchange of Hong Kong, 200,000,000 new ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.40 per share for a total cash consideration, before expenses, of HK\$80,000,000. Dealings in the shares of the Company on the Stock Exchange of Hong Kong commenced on 12 January 2018.

30 SEGMENT REPORTING

The Group has only one reportable segment, which is the provision of brokerage services for futures and options traded on the exchange in Hong Kong, the United States, Japan, Singapore and the United Kingdom. Therefore no additional reportable segment and geographical information have been presented.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendments to HKAS 40, <i>Investment property: Transfers of investment property</i>	1 January 2018
HK(IFRIC) 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report in that report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"):

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017 (Expressed in Hong Kong dollars unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group's revenue recognition policies are disclosed in Note 2(m). Currently, revenue arising from the provision of services is recognised when the transactions are executed. HKFRS 15 will not have a material impact on the Group's consolidated financial statements.

HKFRS 16, Leases

As disclosed in Note 2(p), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 25, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$3,866,000 for a property, over half of which is payable within 1 year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided which transition approach to be taken.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the years ended 31 December 2015 and 2016 which were extracted from the Company's prospectus dated 29 December 2017 have been prepared on a combined basis to indicate the results and financial position of the Group as if the group structure as at 31 December 2017 had been existence throughout those years.

RESULTS

	Year ended 31 December		
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	32,840	40,776	43,424
Profit before tax	2,114	15,423	22,465
Income tax expenses	(2,692)	(3,635)	(3,547)
(Loss)/profit for the year and total comprehensive income for the year	(578)	11,788	18,918

ASSETS AND LIABILITIES

	As at 31 December		
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets	2,984	2,769	2,106
Current assets	26,586	24,179	42,548
Total assets	29,570	26,948	44,654
Current liabilities	16,314	13,114	15,244
Total liabilities	16,314	13,114	15,244
Net assets	13,256	13,834	29,410