東方滙財證券國際控股有限公司

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code：8001

2018

Annual Report

CHARACTERISTICS OF THE GEM ("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 of the Stock Exchange 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 (the "Directors") of Orient Securities International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to 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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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Shu Chung
Ms. Lee Nga Ching
Ms. Cheung Yu Xuan

Independent non-executive Directors

Mr. Siu Kin Wai
Mr. Tang Chung Wai
Ms. Chan Man Yi

AUTHORISED REPRESENTATIVES

Ms. Lee Nga Ching
Mr. Choy Mun Kei

AUDIT COMMITTEE MEMBERS

Mr. Siu Kin Wai *(Chairman)*
Mr. Tang Chung Wai
Ms. Chan Man Yi

NOMINATION COMMITTEE MEMBERS

Mr. Siu Kin Wai *(Chairman)*
Mr. Tang Chung Wai
Ms. Chan Man Yi

REMUNERATION COMMITTEE MEMBERS

Mr. Siu Kin Wai *(Chairman)*
Mr. Tang Chung Wai
Ms. Chan Man Yi

COMPLIANCE OFFICER

Ms. Lee Nga Ching

COMPANY SECRETARY

Mr. Choy Mun Kei

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3101 & 3117-3118, 31/F.
China Merchants Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

STOCK CODE

8001

WEBSITE OF THE COMPANY

www.orientsec.com.hk

EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of the Company, I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

REVIEW

In the 2018 financial year, the Group recorded a decrease in revenue from approximately HK$30.0 million in 2017 to approximately HK$29.8 million in 2018. Such decrease was mainly attributable to the decrease in commission income from brokerage services by HK$2.3 million.

Regarding the result for the year, the Group recorded a loss for the year of approximately HK$2.1 million in 2018 whereas a loss for the year of approximately HK$0.4 million was recorded in 2017. It represented an increase of approximately HK$1.7 million or 4.3 times.

From the liquidity perspective, the Group did closely monitor the cash level to ensure current working capital level is adequate to operate the current business and fulfil regulatory requirements over securities business. The Group also did not have any loan from financial institution at the moment.

The Directors and senior management will keep working hard and exploring business opportunities on an on-going basis in order to maximise the return to shareholders. At the same time, we are mindful of the regulatory reporting and compliance requirements and will continue to keep abreast of their development in additional to change of general business environment.

OUTLOOK

Going forward to 2019, it is expected that the Group will be able to maintain similar loan portfolio compared with 2018 and the Group will capture opportunities to increase portfolio through loans to secured customers. Regarding the securities business, commission income from brokerage services and underwriting and placing services are quite dependent on the overall economic environment, market demands and competitions from fellow market participants, which is beyond the control of the Group but the Directors and senior management will try grasping any opportunities when available.

At the same time, the Group will seek to minimise credit risk exposure by assessing and reviewing new and existing customers' portfolios carefully and conservatively and keep the outstanding balances of individual customers at a minimum level.

Looking ahead, in order to maximise returns to our shareholders over the longer term, the Group will also keep seeking and developing new business strategies and plans for expanding its core businesses, including provision of new services and products to customers. Moreover, the Group is in the process of applying an asset management license under Securities and Futures Commission of Hong Kong. The Group will keep shareholders updated in due course.

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

On behalf of the Board,

Lee Nga Ching
Executive Director

Hong Kong, 26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) brokerage services; (ii) underwriting and placing services; (iii) margin financing services; and (iv) money lending services. In 2018, the Group recorded a decrease in revenue of approximately HK$0.2 million or 0.7% to approximately HK$29.8 million compared with the 2017, mainly due to the decrease in commission income from brokerage services.

As mentioned in previously issued reports, the Group and the management have been working hard and through various channels to develop the business. Nevertheless, the Group's performance relied on external factors, including Hong Kong and global economic environment, interest rate movement and the turnover of the Hongkong securities market. At the same time, the Group is positioned to divert currently available resources to the money lending business with a view to maximize the returns to shareholders with manageable risk exposure.

Accordingly, the commission income from brokerage services will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income correlates to market fund raising activities, the number of underwriting and placing exercises the Group can be involved in and/or the size of fund the customers intended to raise. In addition, the Group's interest income from margin financing services will be subject to customers' investment and financing needs. Such external factors are beyond the Group's control and the Group's financial performance is susceptible to fluctuation as a result.

Going forward, it is expected that the Group's revenue mix will be similar to 2018 with an increasing trend and high portion in interest income from money lending services than commission income from brokerage services and underwriting and placing services and interest income from margin financing services.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly generated from (i) commission income from the brokerage services; (ii) commission income from the underwriting and placing services; (iii) interest income from the margin financing services; and (iv) interest income from the money lending services.

The total revenue for 2018 was approximately HK$29.8 million (2017: HK$30.0 million) which represents a HK$0.2 million or 0.7% decrease compared with 2017. Such drop was attributable to (i) a decrease of approximately HK$2.3 million in commission income from brokerage services; (ii) an increase of approximately HK$0.2 million in interest income from margin financing services, and (iii) an increase in interest income from money lending services of approximately HK$1.8 million.

The decrease in commission income from brokerage services was due to the demand in the market which was beyond the Group's control, whereas the interest income from the money lending services is the Group's current main focus.

	2018 HK$'000	2017 HK$'000
Commission income from brokerage services	4,261	6,555
Commission income from underwriting and placing services	—	7
Interest income from margin financing services	5,347	5,124
Interest income from money lending services	20,166	18,334
Total	29,774	30,020

Other income

The total other income for 2018 was approximately HK$0.05 million (2017: HK$0.3 million) which represents a HK$0.3 million decrease compared with 2017.

	2018 HK$'000	2017 HK$'000
Interest income from bank deposits	1	5
Sundry income	4	346
	5	351

Employee costs

Employee costs accounted for approximately 46.2% of the total expenses of the Group for 2018 (2017: 49.6%). The total employee costs for 2018 was approximately HK$13.9 million (2017: HK$14.1 million) and represented a decrease of approximately HK$0.2 million or 1.4% compared with 2017. The decrease was mainly attributable to the written back of unused annual leave provision by HK$0.1 million. As at 31 December 2018, the Group had a total of 35 employees including Directors (2017: 39).

	2018 HK$'000	2017 HK$'000
Commission paid to staff	1,062	1,017
Directors' emoluments	1,934	1,953
Staff salaries, allowances and bonuses	10,339	10,264
Other staff costs including MPF, insurance and provision of unused annual leave	526	895
	13,861	14,129

Administrative expenses

Administrative expenses accounted for approximately 45.3% of the total expenses of the Group for 2018 (2017: 50.3%). The total administrative expenses for 2018 was approximately HK$13.6 million (2017: HK$14.3 million) and represents a decrease of approximately HK$0.7 million or 4.9%. Such decrease was mainly attributable to the decrease in event expenses of approximately HK$0.8 million.

	2018 **HK$'000**	2017 HK$'000
Rent and rates and management fee for office	**5,124**	5,073
Stock information subscription fees and CCASS charges	**1,224**	1,416
Legal and professional fees, listing and compliance fees of the Company	**1,654**	1,658
Other office expenses excluding staff costs	**5,577**	6,190
Total	**13,579**	14,337

Other operating expenses

Other operating expenses accounted for approximately 8.1% of the total expenses of the Group for 2018 (2017: nil). It represented the provision of expected credit loss for 2018 under newly adoption of HKFRS 9 "Financial Instruments".

Income tax expenses

The income tax expense for 2018 was approximately HK$1.9 million (2017: HK$2.3 million) and such decrease was mainly due to the decrease in profits assessable under Hong Kong profits tax and implication of two-tier profits tax rates.

Loss for the year

The Group recorded a net loss attributable to equity shareholders of approximately HK$2.1 million (2017: HK$0.4 million). Such change was mainly due to the provision of expected credit loss of HK$2.4 million for the year under newly adoption of HKFRS 9 "Financial Instruments".

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2018, the Group financed its operations by cash flow from operating activities. As at 31 December 2018, the Group had net current assets of approximately HK$298.3 million (2017: HK$291.6 million), including cash and bank balances of approximately HK$42.6 million (2017: HK$68.9 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 6.1 times as at 31 December 2018 (2017: 5.2 times). The increase in the current ratio was mainly attributable to the lower balances of trade payables in 2018 compared to 2017, in addition to tax recoverable rather than tax payables being recognised.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$309.6 million as at 31 December 2018 (2017: HK$315.2 million).

EMPLOYEE INFORMATION

Total remuneration for the year ended 31 December 2018 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions and other employee costs) was approximately HK$13.3 million (2017: HK$13.2 million), which was relatively maintained stable. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong in 2018 (2017: Nil).

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in 2018 and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2018. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 December 2018 and up to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code, save for the deviation from code provisions A.2.1 and A.6.7 as explained below.

Pursuant to A.6.7 of CG Code, the independent non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable overseas engagements, an independent non-executive Director was unable to attend annual general meeting of the Company held on 18 May 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required standard of Dealing"). Having made specific enquiries of all the Directors, each of them has confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2018. No incident of non-compliance was noted by the Company during the year.

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the Board comprises six directors, including three executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Lam Shu Chung
Ms. Lee Nga Ching
Ms. Cheung Yu Xuan

Independent non-executive Directors

Mr. Siu Kin Wai
Mr. Tang Chung Wai
Ms. Chan Man Yi

The biographical details of the Directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" in this report.

The updated list of Directors and their role and function are published at the GEM website and the Company's website (www.orientsec.com.hk).

The Company has arranged for appropriate insurance cover in respect of legal action against the Directors since 18 February 2014.

Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance with the Rule 5.09 of the GEM Listing Rules.

The Board

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Groups' affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company who meet on a regular basis to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board also communicates with shareholders and regulatory bodies and makes recommendations to shareholders on final dividends and the declaration of any interim dividend.

Board Meetings and Attendance

The Board meets in person or through other electronic means of communication to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. The Board held 5 meetings during the year ended 31 December 2018. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 16 of this report.

The Board meets regularly on a quarterly basis. Notice of at least 14 days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, senior management and Compliance Officer who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The company secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

Relationships between the Board

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' Continuing Professional Development Programme

Each Director receives comprehensive and formal induction and orientation to ensure he/she adequately understand the operations and business of the Group. The Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Directors to review and study. In addition, materials in relation to regularly update on latest development in relation to the GEM Listing Rules, other applicable regulatory requirements and the Group's business and governance policies (the "Reading Materials in relation to Continuous Professional Developments") were circulated to the Directors. Continuing briefings and seminars for the directors will be arranged as necessary. The Directors are encouraged to participate in continuous professional developments to develop and refresh their knowledge and skills periodically.

During the year ended 31 December 2018, the Directors participated in the continuous professional developments in the following manner:

Name	Reading Materials in relation to Continuous Professional Developments	Attending seminars/ courses/conferences in relation to Continuous Professional Developments
Executive Directors		
Mr. Lam Shu Chung	✓	
Ms. Lee Nga Ching	✓	✓
Ms. Cheung Yu Xuan	✓	✓
Independent non-executive Directors		
Mr. Siu Kin Wai	✓	✓
Mr. Tang Chung Wai	✓	
Ms. Chan Man Yi	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The Company has not yet adopted A.2.1 of the CG Code. Pursuant to A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The Company currently has no Chairman or CEO. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no Chairman or CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

The Company will, at the appropriate time, arrange for the election of the new Chairman of the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Executive Directors

Mr. Lam Shu Chung, the executive Director, has entered into a service agreement with the Company on 25 March 2013 for an initial fixed term of three years commencing from 15 January 2014 (date of listing of the shares of the Company on GEM) and shall continue thereafter until terminated by either party by giving at least three months' notice in writing to the other.

Ms. Lee Nga Ching, the executive Director, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 8 June 2015 and shall continue thereafter until terminated by either party by giving at least three months' notice in writing to the other.

Ms. Cheung Yu Xuan, the executive Director, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 16 June 2017 and shall continue thereafter until terminated by either party by giving at least three months' notice in writing to the other.

Each of the executive Directors is entitled to the respective director's salaries, allowances and benefits in kind. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

Independent non-executive Directors

Mr. Siu Kin Wai, the independent non-executive Director has entered into a letter of appointment with the Company on 29 September 2017. The letter of appointment is for an initial fixed term of three years commencing from 29 September 2017 and shall continue thereafter, provided that either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

Each of Mr. Tang Chung Wai and Ms. Chan Man Yi, the independent non-executive Directors, has entered into a letter of appointment with the Company with an initial fixed term of three years commencing from 28 April 2016 and shall continue thereafter, provided that either party may terminate such appointment at anytime by giving at least three months' notice in writing to the other.

Each of the independent non-executive Directors is entitled to a director's fee. The independent non-executive Directors are also entitled to receive a discretionary bonus to be determined by the Board in its absolute discretion in respect of each financial year of the Company.

In accordance with the article 83 of the Articles, any Directors appointed to fill a casual vacancy on the Board should be subject to election by shareholders at the first general meeting after his appointment. Any Director appointed as an addition to the Board should be subject to election by shareholders at the next following annual general meeting after his appointment.

In accordance with the articles 84 of the Articles, one-third of the Directors are subject to retirement by rotation 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 the office and being eligible offer themselves for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment.

Board Diversity Policy

The Company recognises the importance and the benefit of having a diverse Board that fits its own business model and needs in order to achieve its corporate goals and strategies. In designing the Board's composition, board diversity has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company also sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company does not discriminate on the grounds of race, gender, disability, age, religions or any other factor.

The Company aims to ensure that appointments of director will be made on the basis of a range of diversity factors, including those factors set out above. All appointments of director are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance of the Company.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, to approve their remuneration and terms of engagement, to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards, to review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, internal control and risk management systems of the Group and monitor continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee has met its responsibilities to review the Group's quarterly reports for the three months and nine months ended 31 March 2018 and 30 September 2018 respectively, interim report for the six months ended 30 June 2018 and the Group's audited annual results for the year ended 31 December 2018 and provided advice and comments thereon. The Audit Committee also made recommendations to the Board and the management of the Company in respect of the Group's financial reporting and internal control procedures.

The Audit Committee held 4 meetings during the year ended 31 December 2018. Individual attendance records of each member of the Audit Committee are set out in the table on page 16 of this report.

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with code provision A.5.2 of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members, to access the independence of the independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. All members of the Nomination Committee are appointed by the Board.

During the year ended 31 December 2018, the Nomination Committee reviewed and discussed the structure, size and composition of the Board and determined the policy for the nomination of Directors. The Nomination Committee is responsible for identifying potential directors, reviewing the credentials of the potential director base on his/her qualifications, skills, experience, credibility and reputation. Once the Nomination Committee confirmed the potential director(s) is/are qualified to be the Director(s) and his/her appointments are in the interests of the Company and the Shareholders as a whole, it will make recommendations to the Board for approval. The Board is ultimately responsible for selection and appointment of new Directors. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required. The Nomination Committee held 4 meetings during the year ended 31 December 2018. Individual attendance records of each member of the Nomination Committee are set out in the table on page 16 of this report.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.2 of the CG Code. The Remuneration Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Remuneration Committee is to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management and to ensure none of the Directors determine their own remuneration. All members of the Remuneration Committee are appointed by the Board.

During the year ended 31 December 2018, the Remuneration Committee determined the policy for the remuneration of executive Directors, assessed the performance of executive Directors and approved the terms of executive Director's services contracts. The Group aims to provide our employees with fair and equitable remuneration and benefits based on individual performance, experience and the market benchmarks. The Group have formulated our employee performance appraisal mechanisms and makes appropriate salary adjustments in accordance with employee performance and the employment market situation to reduce the loss of talent. The Remuneration Committee adopted the model which is described in the code provision B.1.2 (c)(ii) of the CG Code, it makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee held 4 meetings during the year ended 31 December 2018. Individual attendance records of each member of the Remuneration committee are set out in the table on page 16 of this report.

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees and general meeting during the year ended 31 December 2018 are as follows:

Name of Director	Board Meeting Attended/Eligible to attend	Audit Committee Meeting Attended/Eligible to attend	Nomination Committee Meeting Attended/Eligible to attend	Remuneration Committee Meeting Attended/Eligible to attend	General Meeting Attended/Eligible to attend
Executive Directors					
Mr. Lam Shu Chung	2/5	N/A	N/A	N/A	1/1
Ms. Lee Nga Ching	5/5	N/A	N/A	N/A	1/1
Ms. Cheung Yu Xuan	5/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Tang Chung Wai	5/5	4/4	4/4	4/4	1/1
Ms. Chan Man Yi	5/5	4/4	4/4	4/4	1/1
Mr. Siu Kin Wai	5/5	4/4	4/4	4/4	0/1

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the CG Code which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements and reviewing the issuer's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2018, the Board has performed the corporate governance duties stated in code provision D.3.1 of the CG Code.

EMOLUMENTS TO THE DIRECTORS AND SENIOR MANAGEMENT

The emoluments paid to the 6 (2017: 8) Directors and 6, including 2 resigned during the year (2017: 5) senior management whose details are disclosed in the section headed "Biographical Details of Directors and Senior Management" were within the following bands:

	2018	2017
Nil to HK$1,000,000	11	12
HK$1,000,001 to HK$1,500,000	1	1

AUDITOR AND THEIR REMUNERATION

For the year ended 31 December 2018, remuneration paid and payable to the auditor of the Group (the "Auditor") are approximately HK$520,000 (2017: HK$480,000) for audit services. There was no significant non-audit service provided by the auditor of the Group for the year.

Director's Acknowledgement

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Statement

The statement of the Auditor about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2018 is set out in the section "Independent Auditor's Report" of this report.

Financial Reporting

The Management has provided to all Directors quarterly updates with quarterly consolidated financial statements of the Company's performance, position and prospects in sufficient details during the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the Board with more detailed and promptly monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail in coming future.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group.

The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Group. To the best of knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective risk management and internal control system to safeguard the Group's assets against unauthorized use or disposition, to ensure the maintenance of proper accounting records and compliance with relevant legislation and regulations and to protect the interests of the shareholders of the Company. The Board has periodically assessed and reviewed the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance control and risk management functions. The Group's system of internal controls includes a defined management structure with limits of authority and the system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

The Group has engaged an external professional consultant to conduct independent internal control review for the year ended 31 December 2018 and thereafter. The review covered parts of the internal control system including financial, operational, compliance control and risk management functions. Such review will be conducted regularly throughout each year. The internal control consultant will report financings and areas for improvement to the Audit Committee and the management of the Company.

INFORMATION DISCLOSURE

The Group has adopted its own information disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations, particularly the GEM Listing Rules and Securities and Futures Ordinance ("SFO"). The Group has strictly prohibited unauthorised use of confidential or inside information and has a system of internal procedures for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities. The Board authorised only the authorised representatives registered in the Stock Exchange for responding on behalf of the Company.

COMPANY SECRETARY

Mr. Choy Mun Kei, the company secretary of the Company, is an employee of the Company and accessible by all Directors for advice and services with a view of ensuring that Board procedures are followed. He supports the Board and board committees by ensuring good information flow and reports to the Board and assists the Board in functioning effectively and efficiently. During the year ended 31 December 2018, Mr. Choy has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules. The biographical details of Mr. Choy are set out under the section "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHT

Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, any one or more members 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 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 (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the board

The Company endeavor to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company's email at info@orientsec.com.hk or by mail to the principle address of the Company at Rooms 3101, 3117-3118, 31/F., China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "AGM") and EGM of the Company and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond proactively to the Shareholders' enquiries. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and EGM orally in the beginning of the aforesaid meetings.

Procedures for putting forward proposals by Shareholders at Shareholders' meetings

Shareholders may include a resolution to be considered at an EGM. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to convene an extraordinary general meeting".

DIVIDEND POLICY

The Company will only declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends. In deciding whether to propose a dividend and in determining the dividend amount, the Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of dividends will be subject to the Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors the Directors may consider relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the law of Cayman Islands and the Company's Articles of Association.

The Board will continually review this policy from time to time and there can be no assurance that a dividend will be proposed or declared in any given year.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company strengthens its communications with shareholders and investors through various channels including publication of quarterly, interim and annual reports, press releases and announcements regarding the latest developments of the Company in its corporate website at www.orientsec.com.hk at a timely manner.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 December 2018, there had not been any changes in the Company's constitutional documents.

As the Group's business nature is provision of financial services in Hong Kong and primarily an office based group with relatively low energy, power and resources consumption, our direct environmental impact is immaterial in the process of the Group's daily operation and business development. We adhere closely to principles of sustainable development, seeking to achieve required standards in the areas of environmental protection, employment and labour practices, operations practices and community service. While acknowledging our responsibility to our stakeholders, we encourage our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function.

ENVIRONMENTAL PROTECTION

Emissions and use of resources

The Group is committed to providing quality financial services to our clients in a manner that minimises our potential adverse impact on the environment. Due to the nature of our business, there is minimal direct impact to the environment and we do not generate material hazardous waste. There is minimal need for our management and employees to overseas travel for business, so the main emission of the Group is the indirect greenhouse gas emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment. As the water consumption of the Group is minimal, our commitment to the environment is focused on the energy conservation, minimising the use of paper and the reduction of waste by recycling.

As a supporter of environmental protection, the Group strives for efficient and effective use of energy and resources in operation and management level of the Group. Energy conservation is a priority under environmental protection and energy-saving devices are used when applicable to reduce power consumption. To enhance environmental awareness and encourage daily participation among the staff, there are recommendations to them to reduce energy wastage including, but not limited to:

1) Lights and electronic appliances in office premise will be turned off when not in use.

2) Every staff will turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

Greenhouse Gas ("GHG") Emissions

The GHG emissions emitted by the Group's business operation in 2018 was approximately 74,862 kg (2017: 74,620 kg) of carbon dioxide equivalent ("CO_2e") and mainly from indirect emission. The major source of the GHG emission was from the purchased electricity.

Analysis of the major GHG emissions of the Group for the year ended 31 December 2018 and 2017 is set out below:

	GHG emission (Note)	
Sources of GHG emission	**2018 (kg CO_2e)**	2017 (kg CO_2e)
Purchased electricity	**71,694**	70,924
Printing paper waste	**3,168**	3,696
Total GHG emissions	**74,862**	74,620

Note: The GHG emission is calculated according to the "Guideline to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" jointly published by Environmental Protection Department and the Electrical and Mechanical Services Department.

Reduction of Hazardous Waste and Non-hazardous Waste

The type of waste produced by the Group is mainly waste paper from daily business operations. With the growing awareness for reduction of waste, other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, double-sided printing or using recycle paper is highly recommended except for formal and confidential documents.

Relating to reduction of waste by recycling, the Group also collects used toner cartridges for passing to the printer company each time when they come to our office to replace the toner cartridges for recycling purpose. In addition, we will donate our unused desktop computers and LCD monitors to non-profit making organisation for refurbishment of the donated computers for reuse by deprived people or non-profit making organisation.

Uses of Resources

a) Energy - Electricity

Electricity consumed by the Group in its normal business operations is supplied by The Hongkong Electric Co., Ltd. The total electricity consumption was approximately 90,752 Kilowatt-hour (kWh) (2017: 89,777 kWh), with an energy intensity of approximately 157 kWh/m^2 (2017: 156 kWh/m^2) (based on total gross floor area of approximately 577.1 m^2) during the year. The electricity consumption was kept stable and we will continue the encouragement of energy-saving in office.

b) Water

Due to the nature and scope of our business, our offices are located in commercial premise. The water consumption of the Group is minimal and was included in the management fee and therefore the figures were not available for our GHG emission calculation.

c) Paper

During the year, the Group used a total of approximately 660 kg (2017: 770 kg) of printing papers in its normal business operations. The decrease in paper consumption was due to our employees' effort on using more caution approach in printing.

Environment and natural resources

The Group seeks to work toward environmental best practice. This involves giving careful consideration to various operational aspects and activities to minimise any environmental impact. Green messages and practical tips for green living will be circulated amongst employees to achieve environmental sustainability.

EMPLOYMENT AND LABOUR PRACTICES

Employment, health and safety

As at 31 December 2018, the Group had 32 employees (excluding independent non-executive directors) (2017: 36 employees) in Hong Kong. All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis.

Analysis of workforce of the Group is set out below:-

Workforce by Gender:

	2018 Percentage (%)	2017 Percentage (%)
Male	37.5	41.7
Female	62.5	58.3

Workforce by Age Group:

	18-25	26-35	36-45	46-55	56 and above
2018	9.3%	21.9%	34.4%	21.9%	12.5%
2017	13.9%	13.9%	36.1%	25.0%	11.1%

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for sustainable development of our business.

The Group is committed to providing them with a safe, pleasant and healthy working environment. The Group not only rewards and recognises employees by competitive remuneration package and promote career development and progression by providing opportunities for career advancement, but also provides support in different areas for its employees. The Group is not aware of any material non-compliance with any applicable laws and regulations in relation to employment matters.

The Group considers its employees as vital assets. Group medical insurance packages are provided to our staff at no expense. To maintain a safe and comfortable work environment, the professional cleaning company will clean and sanitise office areas and equipment regularly. The Group also designs and plans office layouts based on relevant safety provisions, and ensures that fire escapes are not blocked. Subsidiaries of the Group also review their office environment and their safety policies regularly to make sure that daily operations comply with all applicable laws and regulations.

Development and training

The Group is subject to various ordinances, rules and guidelines such as, but not limited to, the Securities and Futures Ordinance (the "SFO"), Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the GEM Listing Rules and the SFC's Guideline on Anti-Money Laundering and Counter-Terrorist Financing. The Group is aware of the continuous development and updates of relevant laws and regulations, each department of the Group is responsible for determining its training needs for employees in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Group for approval. Knowledge, skills and capacities of employees are vital to continuous business growth and success of the Group. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

Labour standards

The Group establishes recruitment policies according to applicable laws and regulations of Hong Kong. The Group makes certain that its employees are all above the minimum legal working age and have been fully protected in terms of labour standards, and that all laws and regulations prohibiting child labour and forced labour are complied. All recruitment, remuneration, training, and promotion mechanisms are carried out impartially, and individuals are assessed solely on the basis of professional experience and/or work performance. No one is subject to discrimination due to age, gender, race or skin colour. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws, to ensure that its male and female employees enjoy all statutory rights.

OPERATIONS PRACTICES

As a professional financial services provider, the Group has set up a comprehensive and effective compliance procedure to ensure its full compliance in daily operations with all applicable laws, rules and regulations. It also keeps a close eye on changes to laws and regulations in the areas where it operates, and makes appropriate and timely adjustments in its internal control policies. To ensure its overall operations are in line with all legal compliance requirements, the management of the Group also disseminates information on related changes by email or other means to update employees on new developments. The Group reviews its internal and external operations practices from time to time, and takes the initiative to revise management policies when necessary to adjust its corporate governance practices. In addition, the Group has obtained all the licences required by all relevant laws and regulations in Hong Kong, including those for carrying out dealing in securities and advising on securities under the Securities and Futures Ordinance and money lending business under the Money Lenders Ordinance. Management will ensure employees comply with all relevant laws and regulations whenever they provide professional financial and investment services both to clients and the general public.

Product responsibilities

In relation to financial services business, to avoid any loss suffered by clients due to systems failures or delays in transactions, the Group has established an emergency plan to ensure that proper measures are taken should system errors occur to reduce any potential client losses to a minimum. Management will also review our transaction system regularly and make improvement on our transaction system, including the internal control and management system or facilities, where necessary, to avoid occurrence of system failure.

Apart from its product and service quality, the Group emphasises the importance of the confidentiality of personal data and the privacy of our clients and we adhere to the provisions of the Personal Data (Privacy) Ordinance when collecting, processing and using clients' personal data.

Anti-corruption

The Group is not aware of any material non-compliance with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong, in relation to the Group's business operation. The Group has worked to establish a corporate culture of integrity and justice, and treats integrity as one of its core business principles. To raise anti-corruption awareness among its employees, the Group lays out codes of conduct concerning the conflict of interest and business conduct in its employment handbook. We also encourage employees to report their interests and make good use of the accusation mechanism to eliminate illegal activities such as money laundering, bribery and fraud.

COMMUNITY SERVICES

Charity and community work

The Group regards contributions to society as part of its mission. Our business development strategy also pays close attention to community welfare. The Group has been devoted to promote community development by taking the lead and encouraging employees to care for the community.

The Group targets through donations and sponsorships by supporting non-profit-making organisation to help charitable, cultural, medical, educational and other needs of society. The Group wishes to raise fund as caring for people in need and supporting charity activities.

Charity donations

During the year, the Group has not made any charitable donation. The Group will consider from time to time to donate to charitable organisations when the Group identify the suitable non-profit-marking organisation and has sufficient financial resources.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Shu Chung (林樹松), aged 62, is an Executive Director of the Company and has been the Chairman of the Board of the Company for the period from 4 April 2011 to 30 June 2017. He was appointed as a Director on 5 January 2009 and re-designated as an Executive Director on 12 February 2009. He is responsible for the formulation of corporate strategy, overseeing the management and business development. Further, Mr. Lam has been a director of Orient Securities Limited since July 2004 and has been responsible for overseeing the company's management and business development. Mr. Lam has about 25 years of experience in the Hong Kong financial market, ranging from the field of securities brokerage, foreign exchange to foreign banking.

Ms. Lee Nga Ching (李雅貞), aged 41, was appointed as an Executive Director on 8 June 2015. She obtained a bachelor's degree in Business Administration in Accounting from City University of Hong Kong in 2004. She also obtained certificates of the Insolvency Preparatory I and II courses in 2005 and 2007 respectively. Ms. Lee possesses over 14 years of experience in corporate management, finance, financial due diligence, fraud and bribery investigations, internal control and insolvency administrations. She was employed by different institution, such as Baker Tilly Hong Kong, BDO McCabe Lo Limited, John Lees & Associates Limited, Kroll Associates (Asia) Limited and The Red Flag Group. The roles and responsibility of Ms. Lee are (i) to participate in the formation of corporate strategy and policy of the Company and its subsidiaries (collectively, the "Group"); (ii) to oversee business operation and financial performance of the Group; and (iii) to ensure adequate internal control and risk management procedures and compliance with relevant legislation, rules and guidelines of the Group.

Ms. Cheung Yu Xuan (張渝瑄) (former name: Cheung Ni (張妮)), aged 33, has joined the Group in August 2015 and is currently the director of four wholly owned subsidiaries of the Company, namely Capital Business International Limited, Orient Securities Holdings Limited, Orient Securities Limited and Orient Securities Asset Management Limited. Ms. Cheung is also Assistant Director (Business Development) of Orient Securities Limited and has about 8 years of experience in financial planning and business development. Ms. Cheung graduated from Shanghai University of Traditional Chinese Medicine with a Bachelor of Science.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Kin Wai (蕭健偉), aged 50, graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate governance. Mr. Siu is currently the executive director and chief executive officer of Beijing Properties (Holdings) Limited (stock code: 925); the executive director of MillenMin Ventures Inc. (TSXV Stock Code: MVM); the executive director of Beijing Enterprises Medical and Health Industry Group Limited (stock code: 2389); and the independent non-executive director of Agritrade Resources Limited (stock code: 1131). Mr. Siu is also the non-executive director of CAQ Holdings Limited ("CAQ"), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ.

Mr. Tang Chung Wai (鄧宗偉), aged 56, has extensive experience in management. Mr. Tang is currently a director of Royal Garden Restaurant Limited and Yuen Long Town Hall Management Committee, Special Councilor of New Territories Heung Yee Kuk and Vice President of District Executive Committee (Yuen Long West District N.T. Region) of Scout Association of Hong Kong.

Ms. Chan Man Yi (陳敏儀), aged 54, graduated from the Hong Kong Polytechnic University with a Master's degree in professional accounting and has extensive experience in pension and provident fund industry. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants. Ms. Chan is an independent non-executive director, chairman and member of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of Cocoon Holdings Limited (stock code: 428) since 21 August 2018. She was an independent non-executive director, a member of the Nomination Committee and the Audit Committee of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 2312) for the period from 1 February 2013 to 29 April 2015.

SENIOR MANAGEMENT

Mr. Wong Kwan Lok (黃君諾), aged 40, joined the Group in 2004 and is currently a senior vice president. Mr. Wong mainly focuses on sales and marketing and assists in business development. Mr. Wong has been licensed with SFC since 1998 and has been a Licensed Representative since joining Orient Securities Limited in 2004. He possesses over 15 years of experience in the securities brokerage industry and is licensed to carry on Type 1 regulated activity (dealing in securities). Mr. Wong was employed by Young Champion Management Services Limited (now known as Success International Management Services Limited) as a dealer of Young Champion Securities Limited for the period from November 2000 to September 2004.

Mr. Lau Wai Man (劉偉文), aged 54, joined the Group in 2008 and is currently a Responsible Officer. He is a licensed person since August 1995. Mr. Lau is responsible for supervising in-house account executives in carrying out regulated activities. Mr. Lau possesses over 20 years of experience in the securities brokerage industry and his work experience includes acting as a sales representative, floor trader and account executive in various securities brokerage companies since 1995.

Mr. Lai Ming Him (黎銘謙), aged 30, has been a Responsible Officer of Orient Securities Limited to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO since December 2018. He joined the Group in 2018. Mr. Lai was appointed as a Director of Orient Securities Limited in December 2018. He possesses over 6 years of experience in securities business from April 2012. He is responsible for business operations, compliance of the securities arm of the Group, supervising licensed representatives in carrying out regulated activities and internal control. Mr. Lai obtained a master degree of Business in Accounting and Finance from University of Technology Sydney in 2010.

Mr. Choy Mun Kei (蔡滿基), aged 54, was appointed as company secretary of the Company on 19 May 2016. He is in charge of the company secretarial department of the Company. Mr. Choy is a certified public accountant (practising) of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Master of Corporate Finance from The Hong Kong Polytechnic University.

REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands.

The principal activities of the Group are the provision of its (i) brokerage services; (ii) underwriting and placing services; (iii) margin financing services and (iv) money lending services.

BUSINESS REVIEW

A review of the Group's business during the year and a discussion on the Group's future development are provided in the Executive Director's Statement. An analysis of the Group's performance during the year and a description of possible risks and uncertainties that the Group may be facing can be found under Management Discussion and Analysis. Also, the financial risk factors and capital management of the Group can be found in note 35 and note 38 to the consolidated financial statements, respectively. Discussions on the Group's key relationships with its customers and suppliers are contained under the section "Major customers and suppliers" in the Report of Directors. Discussions on the Group's policies and compliance with laws and regulations in respect of environmental and social aspects which have a significant impact on the Group are contained in the Environmental, Social and Governance Report. In addition, the Group's principal corporate governance practices adopted which have a significant impact on the Group are contained in the Corporate Governance Report.

RESULTS

The Group's results for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the consolidated financial statements from pages 39 to 103 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the section headed "Financial Summary" on page 104 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$114,807,000.

USE OF PROCEEDS

During the year, among the net proceeds of approximately HK$20.3 million from the placing completed on 5 June 2017, approximately HK$1.3 million has been utilised as general working capital of the Group whereas HK$19.0 million was lent out to clients.

CHARITABLE DONATIONS

During the year, the Group did not made any charitable donation.

DIRECTORS

The Directors of the Company during the year ended 31 December 2018 and up to the date of the report were:

Executive Directors

Mr. Lam Shu Chung
Ms. Lee Nga Ching
Ms. Cheung Yu Xuan

Independent Non-executive Directors

Mr. Tang Chung Wai
Ms. Chan Man Yi
Mr. Siu Kin Wai

In accordance with articles 84(1) of the Company's Articles of Association, Mr. Lam Shu Chung and Ms. Chan Man Yi will retire as Directors and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 26 to 27 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for an initial term of three years and be thereafter continuous unless and until (i) the termination by either party thereto giving no less than three months' prior written notice; or (ii) the Director not being re-elected as a Director in accordance with the Articles of Association of the Company.

The independent non-executive Directors are appointed for an initial fixed term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of Hong Kong Companies Ordinance when the Directors' Report prepared by the Directors is approved in accordance with section 391 of Hong Kong Companies Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and in note 32 to the consolidated financial statements, no Director had 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 year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2018, none of the Directors or chief executives of the Company (the "Chief Executives") had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"))) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings").

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no person or corporation who had any interests and short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" and "SHARE OPTION SCHEME" in this report, at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the year ended 31 December 2018 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme which shall last until December 2023.

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing approximately 6.94% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Eligible Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the 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 Options, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date. The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date.

The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As at the date of this report and since the adoption of the Scheme, no share option has been granted by the Company.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in note 15 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, the Company monitored brokerage and margin financing transactions with the Directors of the Company. If the applicable ratios of the aggregated annual caps of brokerage services and margin financing services for each of them is less than 5% and less than HK$3,000,000, such transactions will fall within the exemption under Rule 20.74(1) of the GEM Listing Rules and no reporting, announcement and independent shareholders' approval are required. The Group has not entered into any brokerage and margin financing transaction with the Directors during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the largest customer of the Group contributes approximately 5% of the revenue of the Group. The total revenue of the 5 largest customers accounted for 21% of the revenue of the Group.

As far as the Directors aware, neither the Director nor their associates nor any shareholder (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in these 5 largest customers of the Group.

Due to the nature of the Group's business activities, the Group has no suppliers.

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.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday, 24 May 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer document(s) accompanied by the relevant share certificate(s) must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2019.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 10 to 20 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

ENVIRONMENTAL POLICIES AND KEY RELATIONSHIP WITH EMPLOYEES

Discussion on the Group's environmental policies and key relationship with employees is contained in the section headed "Environmental, Social and Governance Report" on pages 21 to 25 of this annual report.

KEY RELATIONSHIPS WITH CUSTOMERS

The Group has over 834 active securities accounts and money borrowers at the end of 2018.

In order to maintain relationships with customers, various means have been established to strengthen the communications between the customers including direct conservation to promote investment opportunities and invitation to casual business development events. In addition, the Group will continue to develop the customer base by utilising the network we have and referrals from existing customers.

KEY RELATIONSHIPS WITH SUPPLIERS

The Group does not have any supplier during 2018 and up to the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by the Company's auditor, BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the AGM.

On behalf of the board

Lee Nga Ching
Executive Director

Hong Kong, 26 March 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Orient Securities International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 103, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2018, 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 ("HKSAs") 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"), and we have fulfilled our other ethical responsibilities in accordance with 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.

Impairment assessment of margin loan receivables, loan and interest receivables

(Refer to notes 19 and 20 to the consolidated financial statements and the accounting policies as set out in note 4.9 to the consolidated financial statements)

Upon the adoption of HKFRS 9 Financial Instruments on 1 January 2018, impairment assessment of margin loan receivables, loan and interest receivables is estimated based on an expected credit loss model rather than an incurred loss model. In respect of impairment allowance on margin loans receivables and loans and interest receivables, the difference between the previously reported carrying amounts and the new carrying amounts of impairment allowance as of 31 December 2017 and 1 January 2018 was HK$3,378,000 and HK$46,000 respectively and has been recognised in the opening retained profits.

As at 31 December 2018, the Group had margin loan receivables of HK$53,449,000 arising from brokerage and margin financing business and loan and interest receivables of HK$210,382,000 arising from money lending business. Impairment provision of HK$2,439,000 and HK$4,000 had been made over margin loan receivables and loan and interest receivables respectively for the year ended 31 December 2018.

Assessing impairment of margin loan receivables and loan and interest receivables is a subjective area as it requires application of significant judgement and uses of estimates. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Judgement is applied in assessing customers that may default and identifying evidence of impairment which include assessment on creditworthiness of customers, their repayment history, and application of collateral ratio, that is the level of securities collateral in proportion to the outstanding receivables balance. Estimates are used in assessing the recoverable amount of the securities collateral.

We focused on this area as a key audit matter. Assessing the assessment of recoverability performed by management involved critical judgement and estimation as mentioned in the aforementioned paragraph.

Our response

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment on margin loan receivables, loan and interest receivables included:

— testing the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into the 3 stages. Our testing included the checking to loan overdue information, collateral ratio and other factors determining the stage classification as determined by the Group;

— challenging management in applying the collateral ratio and considering other factors in identifying the expected credit loss;

— reviewing debtors' historical repayments and subsequent settlements after year end date and the market value of pledged collateral; and

— evaluating the Group's estimation methodology of expected credit losses, and checking the parameters to external data sources where available.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 Audit Committee assists the directors in discharging their responsibilities in this regard. The directors are also responsible for overseeing the Group's financial reporting process.

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, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional skepticism 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.

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 to 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 directors, 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.

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	29,774	30,020
Other income	7	5	351
Employee costs	9	(13,861)	(14,129)
Administrative expenses		(13,579)	(14,337)
Other operating expenses		(2,443)	—
Finance costs	10	(98)	(7)
(Loss)/Profit before income tax	11	(202)	1,898
Income tax expense	12	(1,895)	(2,297)
Loss for the year, attributable to owners of the Company		(2,097)	(399)
Other comprehensive income for the year		—	—
Total comprehensive income for the year, attributable to owners of the Company		(2,097)	(399)
Loss per share for loss attributable to owners of the Company for the year	14		
— Basic and diluted (HK cent)		(0.49)	(0.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	1,337	1,236
Other assets	17	525	525
Loan and interest receivables	20	9,424	21,478
Deposits	21	1,100	1,312
		12,386	24,551
Current assets			
Trade receivables	19	74,863	64,884
Loan and interest receivables	20	200,958	154,896
Prepayments, deposits and other receivables	21	2,398	3,030
Tax recoverable		224	—
Trust bank balances held on behalf of clients	22	36,151	68,752
Cash and cash equivalents	23	42,631	68,895
		357,225	360,457
Current liabilities			
Trade payables	24	57,085	64,526
Accruals and other payables	25	1,878	3,752
Tax payables		—	561
		58,963	68,839
Net current assets		298,262	291,618
Total assets less current liabilities		310,648	316,169
Non-current liabilities			
Debentures	26	1,000	1,000
Net assets		309,648	315,169
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	4,320	4,320
Reserves	28	305,328	310,849
Total equity		309,648	315,169

On behalf of the Board

Lee Nga Ching
Director

Cheung Yu Xuan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(202)	1,898
Adjustments for:			
Depreciation of property, plant and equipment	11	1,031	948
Interest income	7	(1)	(5)
Overprovision of unused annual leave		(123)	—
Provision for trade receivables		2,439	—
Provision for loan and interest receivables		4	—
Finance costs	10	98	7
Operating profit before working capital changes		3,246	2,848
Decrease in other assets		—	25
Increase in trade receivables		(15,796)	(5,494)
Increase in loan and interest receivables		(34,058)	(26,723)
Decrease/(Increase) in prepayments, deposits and other receivables		844	(1,002)
Decrease/(Increase) in trust bank balances held on behalf of clients		32,601	(28,173)
(Decrease)/Increase in trade payables		(7,441)	23,067
(Decrease)/Increase in accruals and other payables		(1,751)	1,424
Cash used in operations		(22,355)	(34,028)
Hong Kong profits tax paid		(2,680)	(3,910)
Interest received		1	5
Net cash used in operating activities		(25,034)	(37,933)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,132)	(249)
Net cash used in investing activities		(1,132)	(249)
Cash flows from financing activities			
Proceeds from issuance of debentures		—	1,000
Interest paid		(98)	(7)
Net proceeds from issuance of ordinary shares by way of placing	27	—	30,905
Net cash (used in)/generated from financing activities		(98)	31,898
Net decrease in cash and cash equivalents		(26,264)	(6,284)
Cash and cash equivalents at the beginning of the year		68,895	75,179
Cash and cash equivalents at the end of the year	23	42,631	68,895

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company				
	Share capital HK$'000 (note 27)	**Share premium*** HK$'000 (note 28(b))	**Merger reserve*** HK$'000 (note 28(a))	**Retained profits*** HK$'000	**Total** HK$'000
At 1 January 2017	3,780	107,651	8	173,224	284,663
Loss for the year	—	—	—	(399)	(399)
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(399)	(399)
Issuance of new ordinary shares by way of placing (note 27(a))	540	30,365	—	—	30,905
At 31 December 2017 as originally presented	4,320	138,016	8	172,825	315,169
Initial application of HKFRS 9 (note 2.1)	—	—	—	(3,424)	(3,424)
Restated balance at 1 January 2018	**4,320**	**138,016**	**8**	**169,401**	**311,745**
Loss for the year	—	—	—	**(2,097)**	**(2,097)**
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year	—	—	—	**(2,097)**	**(2,097)**
At 31 December 2018	**4,320**	**138,016**	**8**	**167,304**	**309,648**

* These reserve accounts comprise the consolidated reserves of HK$305,328,000 (2017: HK$310,849,000) in the consolidated statement of financial position.

1. GENERAL INFORMATION

Orient Securities International Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 January 2014. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Rooms 3101 & 3117-3118, 31st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (together the "Group") are principally engaged in the provision of:

— brokerage services

— underwriting and placing services

— securities, initial public offering financing services

— money lending services

— investment holding

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018

The Group has adopted the following new or revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits as of 1 January 2018 as follows:

	HK$'000
Retained profits	
Retained profits as at 31 December 2017	172,825
Increase in expected credit losses ("ECLs") in trade receivables arising from margin loan financing (note 2.1(ii)(b) below)	(3,378)
Increase in ECLs in loan and interest receivables (note 2.1(ii)(b) below)	(46)
Restated retained profits as at 1 January 2018	169,401

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 9 — Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income; or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies have been applied to the Group's financial assets as follows:

Amortised cost	These are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 9 — Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	HK$'000
Loan and interest receivables	Loans and receivables	Amortised cost	176,374	176,328
Trade receivables	Loans and receivables	Amortised cost	64,884	61,506
Other assets and receivables	Loans and receivables	Amortised cost	742	742
Cash and cash equivalents	Loans and receivables	Amortised cost	68,895	68,895
Trust bank balances held on behalf of clients	Loans and receivables	Amortised cost	68,752	68,752

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECLs model. HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents and trust bank balances held on behalf of clients are subject to ECLs model but the impairment is insignificant for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables arising from cash clients and clearing house using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assumes that the credit risk on trade receivables arising from cash clients and clearing house has increased significantly if it is more than 30 days past due.

The Group considers trade receivables arising from cash clients and clearing house to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs *(Continued)*

For trade receivables arising from margin loan financing, loan and interest receivables, the ECLs are based on HKFRS 9 general approach. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1 Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. For certain portfolio of margin finance loans, the Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due as management considers the probability of default is highly correlated with the collateral value rather than the past due days.

Maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018 (Continued)*

***HKFRS 9 — Financial Instruments** (Continued)*

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(a) Impairment of trade receivables arising from cash clients and clearing house

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables from cash clients and clearing house. To measure the ECLs, these receivables have been grouped based on shared credit risk characteristics and the days past due. The initial adoption of HKFRS 9 has no material impact on the Group's allowance for trade receivables arising from cash clients and clearing house.

(b) Impairment of loan and interest receivables and trade receivables arising from margin loan financing

Financial assets	**Carrying amount as at 1 January 2018 under HKAS 39**	**Remeasurement (ECLs allowance)**	**Carrying amount as at 1 January 2018 under HKFRS 9**
	HK$'000	HK$'000	HK$'000
Loan and interest receivables	176,374	(46)	176,328
Trade receivables arising from margin loan financing	64,884	(3,378)	61,506
Total	241,258	(3,424)	237,834

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Impact of the ECLs model *(Continued)*

(b) Impairment of loan and interest receivables and trade receivables arising from margin loan financing *(Continued)*

The increase in loss allowance for loan and interest receivables and trade receivables arising from margin loan financing upon the transition to HKFRS 9 as at 1 January 2018 were HK$46,000 and HK$3,378,000 respectively. The loss allowances further increased by HK$4,000 for loan and interest receivables and HK$2,439,000 for trade receivables arising from margin loan financing during the year.

(c) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model, the impairment of other receivables is insignificant for the current period.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018* *(Continued)*

HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim at enabling users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has chosen to recognise the cumulative effect of initially applying HKFRS 15, if any, as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2018. As a result, the financial information presented for 2017 would not be restated.

For commission income from providing securities brokerage services, the Group's performance obligation is satisfied upon execution of the trade orders based on the instruction of the clients. For income from providing underwriting and placing services, the Group's performance obligation is satisfied upon arranging the relevant transactions or rendering the relevant services. There is only one performance obligation in respect of each of the Group's services. The accounting treatment for those services under the Group's previous accounting policies and the requirements of HKFRS 15 are the same.

For interest income from securities-backed lending services and money lending business, the Group derives such interest income margin financing and loan financing facilities. HKFRS 15 does not apply to financial instruments and other contractual rights or obligations that are within the scope of HKFRS 9 and accordingly, interest income from securities-backed lending services and money lending business falls outside the scope of HKFRS 15 and is determined based on the guidance contained in HKFRS 9. Following the requirements of ECLs model in HKFRS 9, interest income is either calculated on the gross carrying amount (i.e. without adjustments for ECLs) or based on the amortised cost (i.e. the gross carrying amount adjusted for the loss allowance).

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *Adoption of new/revised HKFRSs that are relevant to the Group's operations — effective 1 January 2018 (Continued)*

HK(IFRIC) — Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

2.2 *New and revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply those changes on the date they become effective.

Annual Improvements to HKFRSs 2015 – 2017	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015 – 2017	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(Continued)

2.2 *New and revised HKFRSs that have been issued but are not yet effective*

(Continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes noncancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 29 to the consolidated financial statements, total operating lease commitments of the Group in respect of land and buildings as at 31 December 2018 amounted to HK$2,145,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a liability (for the payment obligation) in the consolidated statement of financial position.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 *New and revised HKFRSs that have been issued but are not yet effective (Continued)*

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Save as disclosed in the foregoing paragraph about the impact of HKFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. BASIS OF PREPARATION *(Continued)*

3.2 *Basis of measurement*

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impact on the Group's consolidated financial statements, if any, are disclosed in note 2 to the consolidated financial statements.

The consolidated financial statements have been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

3.3 *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

4.2 *Subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Revenue recognition

Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

(a) Commission income

Brokerage commission income is recognised on a trade date basis when the relevant performance obligation is executed.

(b) Interest income

— Interest income from bank deposit is accrued using effective interest method by reference to the principal deposited and at the rate applicable.

— Interest income from client is accrued using effective interest method by reference to the outstanding balance and at the rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Revenue recognition *(Continued)*

Revenue recognition (accounting policies applied until 31 December 2017)

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and the use by others of the Group's assets yielding interest and dividends. Revenue is recognised, when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(a) Commission income

— Brokerage income is recognised on a trade date basis when the relevant transactions are executed.

— Underwriting, sub-underwriting, placing and sub-placing commission income are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed.

(b) Interest income

— Interest income from bank deposit is accrued using effective interest method by reference to the principal deposited and at the rate applicable.

— Interest income from client is accrued using effective interest method by reference to the outstanding balance and at the rate applicable.

4.4 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

4.5 Intangible assets (other than goodwill)

Acquired intangible assets

Intangible assets represent trading rights of the Stock Exchange, with which the holders have the right to trade on the Stock Exchange. Intangible assets acquired separately are measured initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets

Amortisation of trading rights is provided on straight-line method over the estimated useful lives which are five years.

Amortisation commence when the intangible assets are available for use. The asset's amortisation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 *Intangible assets (other than goodwill) (Continued)*

Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.7).

4.6 *Property, plant and equipment*

Property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual value, if any, over their estimated useful lives, using straight-line method. The depreciation rates per annum are as follow:

Leasehold improvements	33.33%
Computer equipment	20% – 50%
Office equipment	20% – 33.33%
Furniture and fixtures	30% – 33.33%
Motor vehicles	33.33%

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

Gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

4.7 *Impairment of non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and
— intangible assets

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Impairment of non-financial assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4.8 Leases

An arrangement, comprising a transaction or a series of related transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such a determination is made based on the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line basis over the lease terms unless another systematic basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

4.9 Financial Instruments

Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Financial Instruments *(Continued)*

Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

(ii) Impairment of financial assets

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables arising from cash clients and clearing house using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Financial Instruments *(Continued)*

Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment of financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables arising from margin clients, loan and interest receivables by using HKFRS 9 general approach. The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or there is significant delay in fulfilling contractual payments or significant change in the value of collateral or credit enhancement.

The Group considers a financial asset to be credit-impaired under the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial Instruments* *(Continued)*

Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial Instruments* *(Continued)*

Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The Group de-recognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for de-recognition in accordance with HKAS 39.

(i) Financial assets (Continued)

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Financial Instruments *(Continued)*

Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

(d) granting concession to a debtor because of the debtor's financial difficulty.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

If in a subsequent period the amount of an 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 an 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 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial Instruments* *(Continued)*

Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

The Group's financial liabilities include trade and other payables and debentures. They are included in line items in the consolidated statement of financial position as "Trade payables" and "Accruals and other payables" and "Debentures". They are measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

Trade and other payables

Trade and other payables include trade payables and accruals and other payables and debentures. These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Accounting for income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Accounting for income taxes *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand.

4.12 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent that they are incremental costs directly attributable to the equity transaction.

4.13 Employee benefits

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 *Employee benefits* *(Continued)*

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.14 *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

4.15 *Foreign currency*

Transactions entered into by the Company and the Group in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(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 Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(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).

(viii) the entity, of any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Related parties *(Continued)*

Close family members 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 and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

4.17 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segment which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Impairment allowance on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral or credit enhancement values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Income tax

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

6. REVENUE

The Group's revenue represents:

	2018 **HK$'000**	2017 HK$'000
Commission income from brokerage services	**4,261**	6,555
Commission income from underwriting and placing services	**—**	7
Interest income from margin financing services	**5,347**	5,124
Interest income from money lending services	**20,166**	18,334
	29,774	30,020

7. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Interest income on bank deposits	**1**	5
Sundry income	**4**	346
	5	351

8. OPERATING SEGMENTS

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Brokerage	—	Provision of brokerage services
Underwriting and placing	—	Provision of underwriting and placing services
Margin financing	—	Provision of securities and initial public offering financing services
Money lending	—	Provision of money lending services

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets with the exception of tax recoverable. Segment liabilities include all current liabilities with the exception of current tax payable and excludes non-current liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.17. Segment profit/(loss) represents the profit earned by each segment without allocation of sundry income and income tax expense.

8. OPERATING SEGMENTS *(Continued)*

The segment revenue, results and capital expenditure for the year ended 31 December 2018 and the segment assets and liabilities as at 31 December 2018 are as follows:

2018	Brokerage HK$'000	Underwriting and placing HK$'000	Margin financing HK$'000	Money lending HK$'000	Total HK$'000
Reportable segment revenue from external clients	4,261	—	5,347	20,166	29,774
Reportable segment (loss)/profit	(7,083)	(86)	(8,691)	15,654	(206)
Interest income on bank deposits	1	—	—	—	1
Depreciation of property, plant and equipment	(432)	(86)	(346)	(167)	(1,031)
Provision for trade receivables	—	—	(2,439)	—	(2,439)
Provision for loan and interest receivables	—	—	—	(4)	(4)
Reportable segment assets	103,163	—	53,448	212,776	369,387
Additions to non-current segment assets	566	113	453	—	1,132
Reportable segment liabilities	56,925	—	1,967	71	58,963

The segment revenue, results and capital expenditure for the year ended 31 December 2017 and the segment assets and liabilities as at 31 December 2017 were as follows:

2017	Brokerage HK$'000	Underwriting and placing HK$'000	Margin financing HK$'000	Money lending HK$'000	Total HK$'000
Reportable segment revenue from external clients	6,555	7	5,124	18,334	30,020
Reportable segment (loss)/profit	(6,960)	(80)	(5,453)	14,045	1,552
Interest income on bank deposits	5	—	—	—	5
Depreciation of property, plant and equipment	(369)	(74)	(296)	(209)	(948)
Reportable segment assets	123,744	—	62,204	199,060	385,008
Additions to non-current segment assets	122	98	24	5	249
Reportable segment liabilities	49,970	—	18,109	199	68,278

8. OPERATING SEGMENTS *(Continued)*

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2018 HK$'000	2017 HK$'000
Reportable segment (loss)/profit	(206)	1,552
Other income	4	346
Consolidated (loss)/profit before income tax	(202)	1,898
Reportable segment assets	369,387	385,008
Tax recoverable	224	—
Consolidated total assets	369,611	385,008
Reportable segment liabilities	58,963	68,278
Tax payables	—	561
Debentures	1,000	1,000
Consolidated total liabilities	59,963	69,839

All activities of the Group are carried out in Hong Kong and all its revenue for the years ended 31 December 2018 and 2017 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

9. EMPLOYEE COSTS

	2018 HK$'000	2017 HK$'000
Directors' emoluments (note 15)		
— Fees, salaries, allowances and bonuses	**1,880**	1,899
— Retirement benefits scheme contributions	**54**	54
	1,934	1,953
Other staff		
— Commissions paid	**1,062**	1,017
— Salaries, allowances and bonuses	**10,339**	10,264
— Mandatory provident fund contributions	**402**	389
— Medical and insurance	**168**	177
— Staff welfare and recruitment	**79**	155
— (Over)/Under-provision of unused annual leave	**(123)**	174
Total employee costs	**13,861**	14,129

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on debentures	**98**	7

11. (LOSS)/PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
(Loss)/Profit before income tax is arrived at after charging:		
Auditor's remuneration	**520**	480
Depreciation of property, plant and equipment	**1,031**	948
Provision for trade receivables	**2,439**	—
Provision for loan and interest receivables	**4**	—
Operating lease charges in respect of office premises	**4,527**	4,476

12. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the profit tax rate for the first HK$2 million of assessable profits of a subsidiary will be taxed at 8.25% and the assessable profits above HK$2 million will continue to be subject to the rate of 16.5% for the year ended 31 December 2018. The profits of other subsidiaries in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate 16.5%. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017.

	2018 HK$'000	2017 HK$'000
Current tax — Hong Kong Profits Tax		
— Current year	**2,432**	2,337
— Over-provision in prior year	**(537)**	(40)
Total income tax expense	**1,895**	2,297

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rate is as follows:

	2018 HK$'000	2017 HK$'000
(Loss)/Profit before income tax	**(202)**	1,898
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(33)**	313
Tax effect on application of two-tiered profit tax regime	**(165)**	—
Tax effect of non-deductible expenses	**1,173**	728
Tax effect of non-taxable income	**—**	(1)
Tax effect of tax losses not recognised	**1,541**	1,210
Tax effect of unrecognised temporary differences	**(84)**	87
Over-provision in prior year	**(537)**	(40)
Income tax expense	**1,895**	2,297

As at 31 December 2018, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$24,697,000 (2017: HK$15,356,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

The Group had no significant unprovided deferred tax assets or liabilities during the year and at the end of the reporting period (2017: Nil).

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

14. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2018 is based on the following data:

	2018 HK$'000	2017 HK$'000
Loss attributable to owners of the Company	2,097	399

	Weighted average number of ordinary shares	
	2018	2017
For purpose of basic and diluted loss per share	432,000,000	383,747,072

As set out in note 27, 18,000,000 and 36,000,000 ordinary shares were issued by placing on 2 February 2017 and 5 June 2017 respectively. The weighted average number of ordinary shares in issued during the year ended 31 December 2017 was adjusted to reflect the placing.

Diluted loss per share equals to basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2018 and 2017.

15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind* HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2018					
Executive Directors					
Lam Shu Chung	—	480	—	18	498
Lee Nga Ching	180	420	50	18	668
Cheung Yu Xuan (note(i))	—	360	30	18	408
Independent Non-Executive Directors					
Chan Man Yi	120	—	—	—	120
Tang Chung Wai	120	—	—	—	120
Siu Kin Wai (note (iv))	120	—	—	—	120
	540	1,260	80	54	1,934
2017					
Executive Directors					
Lam Shu Chung	—	480	—	18	498
Lee Nga Ching	—	600	50	18	668
Cheung Yu Xuan (note(i))	—	360	30	18	408
Non-Executive Directors					
Tse Ka Pui Jessica (note (ii))	108	—	—	—	108
Independent Non-Executive Directors					
Lee Siu Leung (note (iii))	48	—	—	—	48
Chan Man Yi	96	—	—	—	96
Tang Chung Wai	96	—	—	—	96
Siu Kin Wai (note (iv))	31	—	—	—	31
	379	1,440	80	54	1,953

* Being "salaries, allowances and benefits in kind" paid or payable to executive directors in connection with the management of affairs of the Company and its subsidiaries.

15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT *(Continued)*

Directors' emoluments (Continued)

Notes:

(i) Ms. Cheung Yu Xuan was appointed as Executive Director on 16 June 2017.

(ii) Ms. Tse Ka Pui Jessica resigned as Non-Executive Director on 30 June 2017.

(iii) Mr. Lee Siu Leung resigned as Independent Non-Executive Director on 30 June 2017.

(iv) Mr. Siu Kin Wai was appointed as Independent Non-Executive Director on 29 September 2017.

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2018 and 2017.

During the years ended 31 December 2018 and 2017, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT *(Continued)*

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2017: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2017: four) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, commission, allowances and benefits in kind	3,002	2,899
Discretionary bonuses	135	176
Retirement benefits scheme contributions	67	67
	3,204	3,142

The emoluments of these remaining four (2017: four) highest paid individuals fell within the following bands:

	Number of individuals	
	2018	2017
Nil – HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	1

During the years ended 31 December 2018 and 2017, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

Emoluments of senior management

Senior management of the Group included two (2017: three) individuals whose emoluments are reflected in the analysis presented above. The emoluments paid or payable to other members of senior management fell within the following bands:

	Number of individuals	
	2018	2017
Below HK$1,000,000	3	2

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer equipment HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2017						
Cost	1,501	4,069	793	1,800	371	8,534
Accumulated depreciation	(198)	(3,673)	(685)	(1,672)	(371)	(6,599)
Net carrying amount	1,303	396	108	128	—	1,935
Year ended 31 December 2017						
Opening net carrying amount	1,303	396	108	128	—	1,935
Additions	239	10	—	—	—	249
Depreciation	(573)	(279)	(42)	(54)	—	(948)
Closing net carrying amount	969	127	66	74	—	1,236
At 31 December 2017						
Cost	1,740	4,079	793	1,800	371	8,783
Accumulated depreciation	(771)	(3,952)	(727)	(1,726)	(371)	(7,547)
Net carrying amount	969	127	66	74	—	1,236
Year ended 31 December 2018						
Opening net carrying amount	969	127	66	74	—	1,236
Additions	—	1,132	—	—	—	1,132
Depreciation	(580)	(361)	(40)	(50)	—	(1,031)
Closing net carrying amount	389	898	26	24	—	1,337
At 31 December 2018						
Cost	1,740	5,211	793	1,800	371	9,915
Accumulated depreciation	(1,351)	(4,313)	(767)	(1,776)	(371)	(8,578)
Net carrying amount	389	898	26	24	—	1,337

17. OTHER ASSETS

The balances represent statutory and other deposits which are placed with various exchanges and clearing houses at the end of the reporting period. These balances do not bear interest.

18. INTANGIBLE ASSETS

Intangible assets represent trading rights on the Stock Exchange. The cost of intangible assets is HK$3,680,000 and the said amount had been fully amortised in prior years.

19. TRADE RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables arising from the business of dealing in securities:			
— Cash clients	(a), (b), (c)	697	2,680
— Margin finance loans	(a), (d)	59,266	62,204
— Clearing house	(a), (b), (c)	20,717	—
Trade receivables, gross		80,680	64,884
Less: provision on trade receivables	(e)	(5,817)	—
Trade receivables, net		74,863	64,884

Notes:

(a) These balances are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). The trade receivables from cash clients bear interest at commercial rates (normally at HK$ Prime Rate plus a spread).

These are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates. No ageing analysis is disclosed, as in the opinion of the directors of the Company, this analysis does not give additional value in view of the nature of business of securities margin financing. As at 31 December 2018, total market value of securities pledged as collaterals in respect of the margin finance loans were approximately HK$96,402,000 (2017: HK$139,925,000). The collaterals held can be repledged and can be sold at the Group's discretion to settle any outstanding amounts due from margin clients. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall.

(b) Trade receivables arising from cash clients and clearing house, if any, with the following ageing analysis, presented based on the trade date which is the revenue recognition date, as at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Current	21,414	2,680

(c) Ageing analysis of trade receivables arising from cash clients and clearing house that are neither individually nor collectively considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	21,414	2,680

Trade receivables that were neither past due nor impaired related to a large number of diversified clients for whom there was no recent history of default.

19. TRADE RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

(d) Analysis of the gross carrying amount of margin loan receivables is as follows:

	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Total** HK$'000
Gross carrying amount as at 1 January 2018	48,255	13,949	—	62,204
New assets originated or purchased	1,422	833	9,110	11,365
Assets derecognised or repaid	(3,572)	(10,731)	—	(14,303)
Gross carrying amount as at 31 December 2018	46,105	4,051	9,110	59,266

(e) Analysis of the ECLs allowance of margin loan receivables is as follows:

	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Total** HK$'000
ECLs allowances as at 1 January 2018	1,590	1,788	—	3,378
New assets originated or purchased	284	539	3,598	4,421
Assets derecognised or repaid	(281)	(1,701)	—	(1,982)
ECLs allowances as at 31 December 2018	1,593	626	3,598	5,817

20. LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Money lending services		
Loan receivables	188,673	167,366
Interest receivables	21,759	9,008
Total loan and interest receivables, gross	210,432	176,374
Less: provision on loan and interest receivables	(50)	—
	210,382	176,374
Less: Portion due within one year included under current assets	(200,958)	(154,896)
Non-current portion included under non-current assets	9,424	21,478

Notes:

(a) As at 31 December 2018, loan and interest receivables included balances of approximately HK$207,234,000 (2017: HK$173,354,000) are secured with collaterals or with custodies as credit enhancement by customers. The directors consider the exposure of credit risk of these receivables, after taking into account the value of the collaterals and credit enhancement is insignificant as the fair values of the collaterals and credit enhancement are higher than the outstanding amount of these receivables at the end of the reporting period. Remaining balance of loan and interest receivables of HK$3,148,000 (2017: HK$3,020,000) are not secured by any collaterals and any credit enhancement.

All the loan receivables are interest bearing at effective interest rates ranging from 7.34% to 41.28% (2017: 7.34% to 41.28%) per annum and with repayment periods ranging from one year to ten years (2017: one year to ten years).

(b) Ageing analysis of loan and interest receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Within one year	201,008	154,896
In the second year to fifth years	9,424	21,478
	210,432	176,374

The amounts that were neither past due nor impaired related to several borrowers that had good and reliable rating.

20. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Analysis of the gross carrying amount and the corresponding ECL allowance of loan and interest receivables is as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Gross carrying amount as at 1 January 2018	176,328	—	46	176,374
New assets originated or purchased	139,453	—	4	139,457
Assets derecognised or repaid	(105,399)	(—)	(—)	(105,399)
Gross carrying amount as at 31 December 2018	210,382	—	50	210,432

(d) Analysis of the ECLs allowance of loan and interest receivables is as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
ECLs allowances as at 1 January 2018	—	—	46	46
New assets originated or purchased	—	—	4	4
Assets derecognised or repaid	—	—	—	—
ECLs allowances as at 31 December 2018	—	—	50	50

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Non-current assets		
Rental and other deposits	1,100	1,312
Current assets		
Other receivables	58	217
Prepayments	1,002	2,772
Rental and other deposits	1,338	41
	2,398	3,030

22. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies in accordance with the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. These clients' monies are maintained in three trust bank accounts, bear interest at commercial rate with original maturity of three months or less. In the consolidated statement of financial position, the Group has classified the clients' monies as bank balances held on behalf of clients in current assets and recognised the corresponding trade payables (note 24) to the respective clients and other institutions as current liabilities as it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

23. CASH AND CASH EQUIVALENTS

	Note	2018 HK$'000	2017 HK$'000
Cash at bank	(a)	**42,626**	68,888
Cash on hand		**5**	7
Cash and bank balances		**42,631**	68,895

Note:

(a) During the year, interest rates on the cash at bank and deposits with banks of the Group ranged from Nil to 0.02% (2017: Nil to 0.02%) per annum.

24. TRADE PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables arising from the business of dealing in securities:		
— Cash clients	**54,720**	45,217
— Clearing house	**—**	1,139
— Margin clients	**1,967**	18,109
— Clients' deposits	**398**	61
	57,085	64,526

24. TRADE PAYABLES *(Continued)*

Notes:

(a) The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date. Trade payables to clients bear variable interest at commercial rates.

(b) Trade payables included HK$36,151,000 as at 31 December 2018 (2017: HK$68,752,000) payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

(c) No ageing analysis in respect of trade payables attributable to dealings in securities transactions is disclosed as, in the opinion of the directors, this analysis does not give additional value in view of the nature of business of dealing in securities.

25. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accruals	1,837	3,635
Stamp duties, levy fee, trading fees and CCASS fee payables	41	117
	1,878	3,752

26. DEBENTURES

	Notes	2018 HK$'000	2017 HK$'000
Interest bearing debenture at 7 % per annum	(a)	500	500
Interest bearing debenture at 8 % per annum	(b)	500	500
		1,000	1,000

Notes:

(a) The debenture bears interest at 7% per annum and is unsecured and repayable on 1 December 2022.

(b) The debenture bears interest at 8% per annum and is unsecured and repayable on 28 April 2022.

27. SHARE CAPITAL

	2018 Number	2018 HK$	2017 Number	2017 HK$
Authorised share capital				
At the beginning and end of the year	**20,000,000,000**	**200,000,000**	20,000,000,000	200,000,000
Issued and fully paid				
At beginning of the year	**432,000,000**	**4,320,000**	378,000,000	3,780,000
Issuance of new ordinary shares by way of placing (note (a))	**—**	**—**	54,000,000	540,000
At the end of the year	**432,000,000**	**4,320,000**	432,000,000	4,320,000

Note:

(a) In 2017, the Company completed placing of its 18,000,000 and 36,000,000 new ordinary shares to independent third parties on 2 February 2017 and 5 June 2017 at the placing price of HK$0.61 and HK$0.58 per placing share and raised HK$10.7 million and HK$20.3 million respectively after deducting all direct costs including commission.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets and in all other respects.

28. RESERVES

Reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2017	107,651	(14,372)	93,279
Loss for the year	—	(4,219)	(4,219)
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	(4,219)	(4,219)
Issuance of new ordinary shares by way of placing (note 27(a))	30,365	—	30,365
At 31 December 2017 and 1 January 2018	**138,016**	**(18,591)**	**119,425**
Loss for the year	—	**(4,618)**	**(4,618)**
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	**(4,618)**	**(4,618)**
At 31 December 2018	**138,016**	**(23,209)**	**114,807**

Notes:

(a) Merger reserve of the Group represents the difference between the nominal value of the share capital of Capital Business International Limited acquired pursuant to the group reorganisation in preparation for the listing of the Company and the nominal value of share capital of the Company issued in exchange thereof.

(b) Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

29. OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments as a lessee under non-cancellable operating leases, in respect of office premises, are payable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	1,970	4,636
In the second to fifth years, inclusive	175	2,145
	2,145	6,781

Operating leases relate to office premises with lease term of three years. The Group does not have an option to purchase the leased asset and will renegotiate the terms and renew the leases at the expiry dates or at dates as mutually agreed between the Group and respective lessor. None of the leases include contingent rentals.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		—	—
Current assets			
Prepayments		314	95
Amounts due from subsidiaries		123,100	126,576
Cash and cash equivalents		422	1,894
		123,836	128,565
Current liabilities			
Accruals and other payables		772	876
Amount due to a subsidiary		2,937	2,945
		3,709	3,821
Net current assets		120,127	124,744
Total assets less current liabilities		120,127	124,744
Non-current liabilities			
Debentures		1,000	1,000
Net assets		119,127	123,744
EQUITY			
Share capital	27	4,320	4,320
Reserves	28	114,807	119,424
Total equity		119,127	123,744

On behalf of the Board

Lee Nga Ching
Director

Cheung Yu Xuan
Director

31. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name	Place of incorporation/ operation	Particulars of issued capital 2018	Particulars of issued capital 2017	Percentage of issued capital held by the Company 2018 Directly	2018 Indirectly	2017 Directly	2017 Indirectly	Principal activities and place of operations
Capital Business International Limited	The British Virgin Islands/ Hong Kong	Ordinary shares of US$1,000	Ordinary shares of US$1,000	100	—	100	—	Investment holding
Orient Securities Holdings Limited	Hong Kong/ Hong Kong	Ordinary shares of HK$18,832	Ordinary shares of HK$18,832	—	100	—	100	Investment holding
Orient Securities Limited	Hong Kong/ Hong Kong	Ordinary shares of HK$20,000,000	Ordinary shares of HK$20,000,000	—	100	—	100	Provision of brokerage service, underwriting and placing service and securities and initial public offering margin financing service
Orient Securities Finance Limited	Hong Kong/ Hong Kong	Ordinary shares of HK$10,000	Ordinary shares of HK$10,000	—	100	—	100	Provision of money lending service

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group did not enter any related party transactions during the year (2017: Nil).

Compensation of key management personnel

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	4,563	4,892
Post employment benefits	124	136
	4,687	5,028

33. CREDIT FACILITIES

As at 31 December 2018 and 2017, the Group had a bank overdraft facility with a bank to the extent of HK$20,000,000 (2017: HK$20,000,000). Interest is charged at prime lending rate per annum as quoted by the bank. The bank overdraft facility is subject to a repayable on demand clause.

As at 31 December 2018 and 2017, the banking facilities were guaranteed by a corporate guarantee to the extent of HK$20,000,000 (2017: HK$20,000,000) executed by the Company.

As at 31 December 2018 and 2017, the Group did not utilise any of the above credit facilities.

34. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows. See note 4.9 to the consolidated financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets measured at amortised cost/Loan and receivables		
— Other assets	525	525
— Trade receivables	74,863	64,884
— Loan and interest receivables	210,382	176,374
— Other receivables	58	217
— Trust bank balances held on behalf of clients	36,151	68,752
— Cash and cash equivalents	42,631	68,895
	364,610	379,647
Financial liabilities		
Financial liabilities measured at amortised costs		
— Trade payables	57,085	64,526
— Accruals and other payables	1,878	3,752
— Debentures	1,000	1,000
	59,963	69,278

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include statutory and other deposits, loan and interest receivables, trade and other receivables, trade and other payables and debentures. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

35.1 Market risk

(a) Foreign currency risk

Foreign currency risk is the risk of losses due to adverse changes in foreign exchange rates mainly relating to bank deposits denominated in foreign currency. The management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

It is the Group's policy for each subsidiary to transact business in local currencies as far as possible to minimise currency risk. Most of the Group's principal business are conducted and recorded in HK$, the functional currency of the companies now comprising the Group, with certain bank deposits mainly denominated in United States Dollars ("US$") and Renminbi ("RMB"). As HK$ is pegged to US$, there is no significant exposure expected on US$ transactions and balances. For presentation purpose, the following tables summarise the Group's financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 December 2018 and 2017.

	Expressed in HK$'000	
	RMB	US$
As at 31 December 2018		
Cash and cash equivalents	**246**	**234**
As at 31 December 2017		
Cash and cash equivalents	245	234

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

35.1 *Market risk* *(Continued)*

(a) *Foreign currency risk* *(Continued)*

The following tables indicate the approximate changes in the Group's profit or loss for the year and equity in response to reasonably possible changes in other foreign exchange rates to which the Group has significant exposure as at the reporting date. As US$ is pegged to HK$, the Group does not expect any significant changes in US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant change in the US$/HK$ exchange rates as at the reporting date.

	Increase/(Decrease) in foreign exchange rates		Decrease/(Increase) in loss for the year		Increase/(Decrease) in equity	
	2018	2017	**2018**	2017	**2018**	2017
	%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
RMB	**5**	5	**12**	12	**12**	12

Decrease in the above foreign exchange rates at each reporting date would have the equal but opposite effect to the amounts shown above, on the basis that all other variables were held constant.

The sensitivity analysis has been determined by assuming that the changes in foreign exchange rates had occurred at the reporting date and that all other variables were held constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

35.1 Market risk *(Continued)*

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on bank balances, margin and cash client receivables and trade payables carrying interests at variable rates.

The following table illustrates the sensitivity of the profit or loss for the year to a change in interest rates of +1% and -1% (2017: +1% and -1%). The calculations are based on the Group's bank balances, margin and cash client receivables held at each reporting date. All other variables are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

	2018 HK$'000	2017 HK$'000
If interest rates were (2017: 1%) higher Decrease in loss for the year	1,329	2,025
If interest rates were (2017: 1%) lower Increase in loss for the year	1,329	2,025

35.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to trade receivables due from clients and clearing house and loan receivables from clients. Management has a credit policy in place and the exposure to the credit risk is monitored on an on-going basis.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

35.2 Credit risk (Continued)

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within two days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered small. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin finance loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of trade receivables due 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.

In respect of loan and interest receivables from clients, the objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. It is the Group's policy that all clients who wish to obtain loans from the Group are subject to management review. Receivables balances are monitored on an ongoing basis, management makes periodic collective assessment as well as individual assessment on the recoverability of loans, loans receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and any other qualitative factors and ensure that follow-up action is taken to recover overdue debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 December 2018, 8% (2017: 7%) and 32% (2017: 31%) of the total trade and loan receivables due from clients were from the Group's largest client and the five largest clients.

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from trade and loan receivables are disclosed in notes 19 and 20 to the consolidated financial statements, respectively.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk for such is minimal.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

35.2 *Credit risk* *(Continued)*

Impairment and provisioning policies

The Group's policy requires the review of individual outstanding amounts regularly depending on individual circumstances or market condition.

The Group has early adopted HKFRS 9, where the impairment requirements under HKFRS 9 are based on an expected credit loss model. The Group applies simplified approach to measure ECLs on trade receivables from cash clients and clearing house; and general approach to measure ECLs on trade receivables from margin loans receivables, loans and interest receivables, cash and cash equivalents, trust bank balances held on behalf of client and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECLs. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECLs, Stage 2: Lifetime ECLs — not credit-impaired and Stage 3: Lifetime ECLs — credit-impaired.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and internal credit risk assessment, including forward-looking information. The loan and advances use the number of days past due and loan-to-collateral value or loan-to-credit enhancement value to determine significant increase in credit risk. Credit risk is deemed to have increased significantly if there is a significant deterioration of the above factors at the reporting date relative to that at the date of initial recognition.

Calculation of expected credit losses

The ECLs are assessed by the Group on regular basis. Based on the aforesaid factors, margin loan receivables and loan and interest receivables are classified into 3 stages.

ECLs for margin receivables, loan and interest receivables under stage 1 is calculated on collective basis. Form margin loan receivables and loan and interest receivables under stage 2 and stage 3, the lifetime ECLs is calculated.

The ECLs of non-standard financing Group has pre-defined loss rate reference to the default rate for from external rating agencies.

If there is material decrease in collaterals and credit enhancement values and the full recovery of the loan is in doubt, the loan will be classified into stage 3. For the loans classified as stage 3, the Group may further calculate the ECLs based on probability-weighted scenarios to measure the expected credit loss. Each scenario is associated with different exposure at default and probability.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

35.2 *Credit risk (Continued)*

***Impairment and provisioning policies** (Continued)*

Incorporation of forward-looking information

When estimating the ECL on margin loan receivables and loans and interest receivables, the Group has incorporated forward-looking economic information through the experienced credit judgement to reflect the qualitative factors.

The credit policies have been followed by the Group since prior years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

35.3 *Liquidity risk*

Internally generated cash flows is the source of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2018, the Group has available banking facilities of approximately HK$20,000,000 (2017: HK$20,000,000), which were not utilised (note 33).

The liquidity policies have been followed by the Group since prior years and are considered to be effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted cash flows, is as follows:

	Carrying amount HK$'000	**Total contractual undiscounted cash flow** HK$'000	**On demand or within 1 year** HK$'000	**Within 2-5 years** HK$'000
As at 31 December 2018				
Trade payables	**57,085**	**57,085**	**57,085**	—
Accruals and other payables	**1,878**	**1,878**	**1,878**	—
Debentures	**1,000**	**1,000**	—	**1,000**
	59,963	**59,963**	**58,963**	**1,000**
As at 31 December 2017				
Trade payables	64,526	64,526	64,526	—
Accruals and other payables	3,752	3,752	3,752	—
Debentures	1,000	1,000	—	1,000
	69,278	69,278	68,278	1,000

36. FAIR VALUE MEASUREMENT

Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under non-current assets, current assets, current liabilities and non-current liabilities respectively, approximate their fair value.

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement (CNS) money obligations receivables and payables with the clearing house, Hong Kong Securities Clearing Company Limited ("HKSCC") and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of CNS money obligations receivables or payables and other receivables and payables (such as deposits included under other assets), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intend to settle the balance on a net basis.

(a) Financial assets subject to offsetting, enforceable master netting arrangement and similar arrangements

	Amounts due from HKSCC	
	2018 HK$'000	2017 HK$'000
Gross amount of recognised financial assets (net of impairment)	25,518	46,433
Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	(4,801)	(46,433)
Net amounts of financial assets included in the consolidated statement of financial position	20,717	—
Net amounts	20,717	—

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

(b) *Financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements*

	Amounts due to HKSCC	
	2018	2017
	HK$'000	HK$'000
Gross amount of recognised financial liabilities	**4,801**	47,572
Gross amount of recognised financial assets offset in the consolidated statement of financial position	**(4,801)**	(46,433)
Net amounts of financial liabilities included in the consolidated statement of financial position	**—**	1,139
Net amounts	**—**	1,139

(c) *Reconciliation to trade receivables and trade payables as presented in the consolidated statement of financial position*

	2018	2017
	HK$'000	HK$'000
Trade receivables		
Net amounts of financial assets included in the consolidated statement of financial position	**20,717**	—
Trade receivables, net not within the scope of offsetting disclosure	**54,146**	64,884
Trade receivables presented in the consolidated statement of financial position	**74,863**	64,884
Trade payables		
Net amounts of financial liabilities included in the consolidated statement of financial position	**—**	1,139
Trade payables not within the scope of offsetting disclosure	**57,085**	63,387
Trade payables presented in the consolidated statement of financial position	**57,085**	64,526

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of capital and reserves, which include issued share capital and reserves as set out on the consolidated statement of financial position, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issuance of share capital.

A subsidiary of the Group, Orient Securities is licensed with Securities and Futures Commission ("SFC") for the business it operates in. Orient Securities is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Orient Securities must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

Orient Securities has complied to maintain the required amount of liquid capital throughout the year.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	2018 **HK$'000**	2017 HK$'000
At 1 January	**993**	—
Proceeds from issuance of debentures	**—**	1,000
Interest expenses paid	**(98)**	(7)
At 31 December	**895**	993

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the board of directors on 26 March 2019.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
REVENUE	43,356	51,724	23,268	30,020	**29,774**
Other income	218	312	40	351	**5**
Employee costs	(7,905)	(10,712)	(12,575)	(14,129)	**(13,861)**
Administrative expenses	(8,612)	(9,099)	(12,402)	(14,337)	**(13,579)**
Other operating expenses	—	—	—	—	**(2,443)**
Finance costs	(76)	(23)	—	(7)	**(98)**
Listing expenses	(3,901)	—	—	—	**—**
PROFIT/(LOSS) BEFORE INCOME TAX	23,080	32,202	(1,669)	1,898	**(202)**
Income tax expense	(5,150)	(6,097)	(1,800)	(2,297)	**(1,895)**
PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	17,930	26,105	(3,469)	(399)	**(2,097)**
Other comprehensive income for the year	—	—	—	—	**—**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	17,930	26,105	(3,469)	(399)	**(2,097)**
EARNINGS/(LOSS) PER SHARE					
Basic and diluted	5.78 cents	7.25 cents	(0.90) cents	(0.10) cents	**(0.49) cents**

ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
Total assets	331,621	382,472	330,624	385,008	**369,611**
Total liabilities	(83,911)	(108,657)	(45,961)	(69,839)	**(59,963)**
Net assets	247,710	273,815	284,663	315,169	**309,648**