



Excalibur Global Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8350

Annual Report 2018



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Lo Wai Hang

AUTHORISED REPRESENTATIVES

Mr. Poon Kwok Wah Allan
Mr. Chan Ying Leung

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

COMPLIANCE ADVISER

Alliance Capital Partners Limited
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15/F Wing On House
71 Des Voeux Road Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants

REGISTERED OFFICE

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Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications Company Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Fax: (852) 2810-8185

STOCK CODE

8350

WEBSITE

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CHAIRMAN'S STATEMENT

It is my pleasure to present our shareholders the second annual report of Excalibur Global Financial Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"). I hereby present the overall performance and the development of the Group for the year ended 31 December 2018 (the "**Year**").

The financial results of the Group for the Year is encouraging despite a difficult year in financial market. The revenue of the Group increased from HK\$32.8 million to HK\$50.7 million, representing an increase of 54.5%. Such increase in revenue was mainly due to the active market movement in Hong Kong and around the world. Ups and downs in the market create lots of speculative opportunities for our clients to make profit in futures products trading. The clients of the Group found more speculative opportunities by trading index futures and options as stock indexes are more sensitive to financial news compared to the price of commodities such as light crude oil and precious metals. The Group's net profit increased by HK\$20.1 million, from loss of HK\$0.6 million for the year ended 31 December 2017 (the "**Prior Year**") profit of HK\$19.5 million in the Year. The increase was mainly due to fewer expenses related to our listing and an increase in revenue in the Year. Basic earnings per share was HK2.46 cents. The board of directors of the Company (the "**Board**") declared the payment of a fourth interim dividend of HK 1 cent per share for the Year.

After obtaining a listing status on the Stock Exchange, the Board believes that the Group will benefit from a higher market profile and an enhanced reputation in the financial industry. The Group could also obtain financial resources to strengthen our existing business by offering better services to our customers. We have upgraded our network and increased the bandwidth capacities in order to provide better and more stable connection with the exchanges and other brokers. In order to cope with the increasing demand from our clients and upcoming securities and stock option trading business, the Group will continue to invest to provide better service and hence increase satisfaction from our clients. We value our clients and strive to deliver services in the highest quality.

In early 2019, the Group finally obtained the approval from the Stock Exchange on our application for trading rights to trade securities and stock options. Together with the license granted by Securities and Futures Commission (the "**SFC**") in late 2018, the Group has commenced our securities and stock options brokerage business to our existing and new clients in February 2019. The expansion into new businesses, being one of the reasons for our listing, will bring new clients together with a new revenue stream to our Group. More diversified income source could help the Group to stabilise revenue during different market conditions in global financial markets. Even though the management does not expect there will be a significant revenue from these new businesses in the next fiscal year, the new income stream will be essential and key for our Group to grow and expand as a diversified brokerage firm in the market. For the development of representative office in Qianhai, a party has been engaged to assist the Group to establish the Qianhai representative office. Due to unforeseeable difficulties, the Group has not yet commenced the development of Qianhai office. In the meantime, the Group will reallocate resources to explore the market in the People's Republic of China ("**PRC**") by holding seminars and other marketing activities to expand its client base.

Looking ahead to 2019, the environment of financial market is still full of uncertainty, such as the ongoing trade war between China and the United States, the undecided situation of Brexit and the potential second referendum, and three of the world's largest economies namely the United States, China and European Union faced different degrees of uncertainty for the economy. It is not hard to say that the financial market around the world will become more volatile and it will be very challenging for the Group as the risk appetite of our clients will change from time to time. The Group will further strengthen ourselves to overcome these challenges and continue to expand to increase the returns to our shareholders.

On behalf of the Board, I wish to express my thanks to our committed staff and accounts executives for their hard work and dedication, and to our shareholders for their continuing support.

Poon Kwok Wah Allan

Chairman

Hong Kong, 27 February 2019

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of Excalibur Global Financial Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) who held office during the year ended 31 December 2018 and up to the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Poon Kwok Wah Allan, aged 57

Mr. Poon is the chairman, an executive Director and the Chief Executive Officer of the Company. He is also the chairman of the Nomination Committee of the Company. Mr. Poon was appointed as Director in 2016 and was then redesignated as executive Director, and appointed as the chairman of the Board and Chief Executive Officer of the Company in February 2017. He joined the Group in 2000 as the general manager of Excalibur Global Financial Group Limited (“**Excalibur Global HK**”), the key operating subsidiary of the Company. Mr. Poon is responsible for the overall strategic planning, business development and operational management of the Group. Mr. Poon has over 23 years of experience in the securities and futures brokerage business, which included leading business development as well as acting as a consultant in licensed corporations. He is also a compliance officer and an authorised representative of the Company and is a responsible officer of Excalibur Global HK responsible for supervising each of its regulated activities.

Mr. CHAN Ying Leung, aged 51

Mr. Chan is an executive Director and an authorised representative of the Company. He was appointed as Director in 2016 and was then redesignated as executive Director in February 2017. He has been a director of Excalibur Global HK, the key operating subsidiary of the Company, since December 2007. He is responsible for providing advice on the formulation of the overall corporate and business strategies of the Group. Mr. Chan possesses over 11 years experience in the securities and futures business in Hong Kong and served as the director of business development of Sun Hung Kai Securities Limited from March 2005 to December 2007.

Ms. LEE Mei Chun, aged 57

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

DIRECTORS AND SENIOR MANAGEMENT (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIN Kam Cheung, aged 61

Mr. Chin is an independent non-executive Director, the chairman of the Audit Committee and the member of the Remuneration Committee of the Company. He joined the Group and was appointed as an independent non-executive Director of the Company in December 2017. Mr. Chin has over 31 years of experience in accounting, financial management and auditing profession industry. He is currently a practicing accountant in Hong Kong and has been serving as an independent non-executive Director at Jiahua Stores Holdings Limited since April 2007. Mr. Chin is a fellow member of the Chartered Institute of Management Accountants since November 1993, and has been admitted as an associate of the Institute of Cost and Management Accountants since September 1986. Mr. Chin is currently a registered Certified Public Accountant with the Hong Kong Institute of Certified Public Accountants.

Mr. ANG Wayne Wu-yee, aged 48

Mr. Ang is an independent non-executive Director, the chairman of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company. Mr. Ang joined the Group and was appointed as an independent non-executive Director in December 2017. Mr. Ang has over 16 years of experience in asset management and investment industry. Mr. Ang was appointed an associated director of Pacific Harbour Holdings (HK) Limited (formerly known as Amroc Investments Asia Limited) from 2002 to 2006 and the executive director of Pacific Harbour Advisers (HK) Limited during the period from 2006 to 2013. Since April 2013, Mr. Ang has been a general partner at Clydesdale Advisors Limited.

Mr. SIU Miu Man, aged 61

Mr. Siu is an independent non-executive Director, the member of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company. He joined the Group and was appointed as an independent non-executive Director in December 2017. Mr. Siu has over 26 years of managerial experience in various listed companies. Mr. Siu has been an associate of the Chartered Institute of Arbitrators since November 1984, a professional associate of Royal Institution of Chartered Surveyors since January 1985, an associate of the Hong Kong Institute of Surveyors since March 1986 and a member of the Hong Kong Institute of Engineers since March 1989. He has also been an Authorised Person (List of Surveyors) since 1999, a Registered Professional Surveyor (General Practice Stream) since January 2002 and a Registered Professional Engineer (Building Stream) since May 2000.

DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Mr. LO Wai Hang, aged 34

Mr. Lo has been the Group's Financial Controller since September 2016. Mr. Lo joined the Group in October 2015 and is mainly responsible for the Group's financial analysis and financial statements preparation, implementing internal control procedures and preparing daily and monthly financial reports to regulatory bodies. He has over 10 years of experience in financial accounting. Mr. Lo has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011.

Mr. CHEUNG Ngam, aged 45

Mr. Cheung joined the Group as an Information Technology Manager since October 2011. Mr. Cheung has over 16 years of experience in the information technology ("IT") field in Hong Kong and Mainland China. Mr. Cheung is mainly responsible for managing the overall operation and establishment of the IT systems and infrastructure, management and security resources both in-house and data centres.

Dr. KWOK Shu Tin, aged 67

Dr. Kwok has been a self-employed Accounts Executive ("AE") accredited to Excalibur Global HK as his principal since August 2007. He was employed as the Marketing Manager of the Group in February 2017 while keeping his engagement as a self-employed AE. Dr. Kwok, as the Group's Marketing Manager, is mainly responsible for directing and developing marketing strategy, participating in the marketing activities and workshops/seminars of the Group. As a self-employed AE, Dr. Kwok refers clients to the Group and manages these clients in return for commissions generated from the trades carried out by his clients. He has over 6 years of experience in teaching futures trading related classes. Dr. Kwok also provides on-site training to his students as a self-employed AE as part of his clients' management. He acted as an instructor at FQ Coaching Limited from February 2012 to December 2014.

Mr. YU Kin Sing, aged 46

Mr. Yu has been the Group's Head of Sales and Marketing since August 2016. He joined the Group in January 2002 as the representative for the Group's type 1 (dealing in securities) regulated activity and the responsible officer for type 2 (dealing in futures contracts) regulated activity and is mainly responsible for supervising daily securities, stock options and futures operations of the Group. Mr. Yu has over 16 years in the futures industry.

Mr. WONG Man Ting, Edwin, aged 32

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

COMPANY SECRETARY

Mr. LO Wai Hang, aged 34

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year ended 31 December 2018 (the “Year”), revenue of the Group amounted to approximately HK\$50,736,000, representing an increase of approximately 54.5% from approximately HK\$32,840,000 for the year ended 31 December 2017 (the “Prior Year”). Such increase was mainly driven by the high volatility in the financial markets including stock markets and commodity markets, especially in the second half of 2018. In the second half of 2018, volatility in global financial markets created speculation opportunities for the clients by trading futures contracts, which resulted in a sharp increase in commission revenue for the Group during the Year. Revenue of the second half of the Year accounts for approximately HK\$31,394,000, or approximately 61.9% of total revenue of the Year.

The Group recorded a profit of approximately HK\$19,483,000 for the Year, as compared with the loss of approximately HK\$578,000 for the Prior Year. Net profit attributable to equity shareholders of the Company amounted to approximately HK\$19,483,000 for the Year, compared with the loss of approximately HK\$971,000 for the Prior Year. The overall performance from net loss to net profit attributable to equity shareholders of the Company was mainly contributed by (i) the increase in revenue generated during the Year; and (ii) the decrease in listing expenses recognised during the Year after the completion of listing. By excluding the listing expenses, the Group recorded a profit of approximately HK\$20,820,000 for the Year, which represents an increase of approximately 63.2% compared to a profit of approximately HK\$12,759,000 for the Prior Year.

The basic and diluted earnings per share of the Company for the Year was approximately HK2.46 cents as compared with the basic and diluted loss per share of approximately HK0.16 cents for the Prior Year.

Revenue

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

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

Market	Year ended 31 December 2018		Year ended 31 December 2017		Increment	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	%
Hong Kong market (Note 1)	10,810	21.3%	6,403	19.5%	4,407	68.8%
Overseas markets (Note 2)	39,926	78.7%	26,437	80.5%	13,489	51.0%
	50,736	100.0%	32,840	100.0%	17,896	54.5%

Note:

- 1) In respect of products traded on HKFE.
- 2) In respect of products traded in various global futures exchanges.

The key products from Hong Kong market were Hang Seng Index (“HSI”) futures and options while key products from overseas markets were XinHua China A50 Index futures and crude oil futures.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

Market	Year ended 31 December 2018		Year ended 31 December 2017		Increment/(Decrement)	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	%
Index futures and options	29,858	58.8%	7,421	22.6%	22,437	302.3%
Energy futures	14,619	28.8%	18,912	57.6%	(4,293)	-22.7%
Precious metal futures	2,346	4.6%	3,401	10.3%	(1,055)	-31.0%
Forex futures	2,312	4.5%	1,835	5.6%	477	26.0%
Agricultural futures	1,004	2.0%	467	1.4%	537	115.0%
Industrial metal futures	593	1.2%	750	2.3%	(157)	-20.9%
Other futures	4	0.1%	54	0.2%	(50)	-92.6%
	50,736	100.0%	32,840	100.0%	17,896	54.5%

There was a sharp increase in commission received from index futures and options trading. Management believed that such sharp increase in trading volume in index futures and options was driven by high fluctuation in index of various stock markets during the Year. As stock indices are more sensitive to financial news compared to the price of commodities such as light crude oil and precious metals, the clients of the Group found more speculation opportunities by trading index futures and options. It also explained the decrease in commission revenue from energy futures and precious metal futures by approximately 22.7% and 31.0%, respectively.

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

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

Product category	Year ended 31 December 2018		Year ended 31 December 2017	
	Gross commission HK\$ (Note 1)	Net commission HK\$ (Note 2)	Gross commission HK\$ (Note 1)	Net commission HK\$ (Note 2)
HSI Futures	37.3	37.3	47.1	47.1
Light Crude Oil Futures	137.6	122.8	156.6	141.7
Gold Futures	91.8	76.9	106.4	91.5
XinHua China A50 Index Futures	60.7	49.8	(Note 3)	
Mini Sized Dow Jones Futures	64.6	51.9	(Note 3)	
Mini HSI Futures	(Note 3)		11.7	11.7
Euro FX Futures	(Note 3)		75.8	59.8

Note:

- "Gross commission" refers to the amount of fees which the clients were charged for trading futures and options products through the trading platform (inclusive of fees charged by the overseas brokers in respect of products traded on overseas futures exchanges, including their brokerage commission and overseas exchange and clearing fees) and assessment fees charged by National Futures Association, a self-regulating organisation in the United States derivatives industry.
- "Net commission" refers to the amount of fees which were received by the Group in respect of each executed transaction facilitated through the Group, exclusive of the fees mentioned in Note 1.
- The information is not presented as the products are not top five futures and options contracts traded in that year.

As at 31 December 2018, the Group has 305 active clients (i.e. have executed at least one trade in the past twelve months period), which represents a decrease of approximately 45.0% compared to 555 active clients as at 31 December 2017. The Group's business strategy is to target high net wealth clients which could generate high revenue to the Group. The management does not view the number of active clients as a clear indicator of the business performance.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Other net (loss)/income

For the Year, the Group's other net loss amounted to approximately HK\$236,000, as compared with the other income of approximately HK\$203,000 for the Prior Year. Net other loss was mainly contributed by the net exchange loss for the Year amounted approximately HK\$386,000, compared to net exchange gain for the Prior Year amounted approximately HK\$155,000.

Staff costs and remuneration policies

As at 31 December 2018, the Group engaged a total of 19 employees (2017: 18) including the executive Directors. For the Year, total staff costs amounted to approximately HK\$7.0 million (2017: approximately HK\$5.2 million). The increase of total staff costs was mainly contributed by the directors' fee paid to the Directors after listing and salaries paid for the additional staff. Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

Other operating and administrative expenses

For the Year, the Group's other operating and administrative expenses ("**G&A expenses**") amounted to approximately HK\$18.2 million, representing an increase of approximately 46.7% from approximately HK\$12.4 million for the Prior Year. Several key expense items being included in this category are discussed below:

(i) Trade-related expenses (accounts for approximately 47.9% of G&A expenses)

In the Year, the trade-related expenses of the Group (including commission expenses paid to the accounts executives, overseas brokers, exchange fees and service fee for the trading software provider) were approximately HK\$8.7 million, which represents an increase of approximately 78.4% compared to approximately HK\$4.9 million recorded in Prior Year. As most of these expenses are directly proportional to transactions executed through the Group, the increase in trade volume in the Year leads to the increase in the trade-related expenses.

(ii) Rental expenses (accounts for approximately 14.3% of G&A expenses)

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

(iii) Legal, professional and audit fee (accounts for approximately 16.0% of G&A expenses)

In the Year, the legal, professional and audit fee increased from approximately HK\$2.2 million for the Prior Year to approximately HK\$2.9 million, representing an increase of approximately 34.9%. Such increase was mainly contributed by the increase in professional services required after listing.

Listing expenses

As the listing of the Company has been completed, no further listing expenses have been recognised since the first quarter of 2018. The listing expenses of the Group decreased sharply from approximately HK\$13.3 million for the Prior Year to approximately HK\$1.3 million in the Year.

Income tax expenses

For the Year, the Group's income tax expenses amounted to approximately HK\$4.5 million, representing an increase of approximately 66.8% from approximately HK\$2.7 million for the Prior Year. Such increase was mainly attributable to the increase in taxable profit of the Group generated in the Year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Accounts receivable arising from ordinary course of business of trading in futures and contracts and options

The accounts receivable increased sharply from approximately HK\$11.9 million as at 31 December 2017 to approximately HK\$75.4 million as at 31 December 2018. The balance of the accounts receivable are either placed in the clearing house and overseas brokers. Such increase in accounts receivable was mainly attributable to the number of open positions of futures contracts held by the Group as at year end and part of the funds was acted as cushion in relation to required margin to ensure the adverse market movement will not results in position liquidation as at year end.

The Group assesses the counterparty risk of the clearing house and overseas brokers in regular basis and the management considered that such risk is very low.

Liquidity and financial resources

The Group's principal source of funds was cash generated from operations accumulated over the previous years. The Group recorded net current assets of approximately HK\$73.7 million as at 31 December 2018, compared to net current assets of approximately HK\$10.3 million as at 31 December 2017, such sharp increase was mainly due to (i) profit recognised in the Year, (ii) issuance of shares after listing offsetting by (a) dividend declared during the Year and (b) cost of issuance of shares. As at 31 December 2018, the Group had cash and cash equivalents of approximately HK\$30.3 million.

Capital structure

For the year ended 31 December 2018, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group did not have any borrowing as at 31 December 2018 and up to the date of this annual report.

RISK MANAGEMENT

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

Operational risk

The Group's revenue is highly concentrated on several key customers. In the Year, revenue attributable to the largest and 5 largest customers of the Group accounted for approximately 28.1% and 65.1% of the Group's total revenue for the year, respectively. Among the 5 largest customers, they averagely have approximately 6.8 years of relationship with the Group, ranging from 1 to 16 years. The Group continued to target those clients with high net worth requiring premium trading service as management believed that this direction could bring higher return for the shareholders of the Company.

Credit risk

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

Liquidity risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign currency risk

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

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to the date of this annual report:

Business plan as set out in the Prospectus	Progress up to the date of this annual report
Strengthen the Group's position in the futures market by enhancing the marketing resources in the PRC	The Group has slowed down the development in Qianhai office as the economic situation of China is unclear. The Group is searching for opportunities to explore the PRC market and increase its presence in the market.
Establish and commence the stock and stock options business	The Group has already received approval from the SFC and the Stock Exchange and the stock and stock options business commenced on 1 February 2019.
Enhance the information technology ("IT") capability of the Group	The Group has made purchase orders to vendors to upgrade the server and network capacity, as well as the upgrade of firewall and security of online trading system according to the implementation plan. Thorough internal and external testing with the brokers and clearing houses have been completed before the new business launched in February 2019. Continuous improvement on the IT capability will be made in the upcoming years.
Expand the manpower for providing more customised client services and to strengthen the compliance and operational and accounting capabilities	The Group has expanded the accounting department by employing an additional accountant in assisting on daily accounting operations. The Group has also purchased comprehensive accounting system in order to enhance the efficiency of report preparation and management analysis. The Group is still looking for appropriate candidates on strengthening the Group's compliance and operations capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the share offering of 200,000,000 ordinary shares of HK\$0.01 each in share capital of the Company at the price of HK\$0.40 per share (the "Share Offer"), after deducting the related underwriting fees and issuance expenses paid by the Company in connection therewith, were approximately HK\$46.5 million, as compared to the estimated net proceeds of approximately HK\$49.5 million. There were shortage of approximately HK\$3.0 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 31 December 2018 is set out below:

	Total planned amount to be used HK\$' million	Planned use of proceeds up to 31 December 2018 HK\$' million	Actual amount utilised up to 31 December 2018 HK\$' million	Actual balance as at 31 December 2018 HK\$' million
Strengthen the Group's position in the futures market by enhancing the marketing resources in the PRC	20.7	12.8	3.0 (Note 1)	17.7
Establish and commence the stock and stock options business	13.2	12.1	2.2 (Note 2)	11.0
Enhance the IT capability of the Group	6.8	5.8	1.7	5.1
Expand the manpower for providing more customised client services and to strengthen the compliance and operational and accounting capabilities	5.8	3.0	0.4	5.4
	46.5	33.7	7.3	39.2

Note:

- 1) Includes HK\$3.0 million deposits paid to vendor on the IT infrastructure in Qianhai office.
- 2) Includes HK\$2.2 million deposit to the Stock Exchange for applying relevant trading rights.

The difference of approximately HK\$26.4 million between the planned use of proceeds up to 31 December 2018 of approximately HK\$33.7 million and the actual amount utilised up to 31 December 2018 of approximately HK\$7.3 million was mainly due to the fact that (i) the licensing process for the stock and stock option broking business was longer than expected originally leading to delay of the utilisation of proceeds; (ii) the Group has not yet engaged in enhancing and upgrading the margin and risk control software system as the Group is planning to upgrade the whole system after the launch of stock and stock option business; and (iii) the Group has not yet commenced the development to Qianhai office as there was delay in obtaining relevant license. We have earmarked a total of approximately HK\$9.8 million to lease an office in Qianhai, renovate such office, purchase additional IT equipment and hire additional marketing personnel. The above earmarked funds will continue to be reserved for this purpose, pending for the development of Qianhai office.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

Since 12 January 2018 (the “**Listing Date**”) up to the year ended 31 December 2018, the Company has complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings from the Listing Date up to the year ended 31 December 2018.

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Poon Kwok Wah Allan (*Chairman, Chief Executive Officer and Chairman of the Nomination Committee*)

Mr. Chan Ying Leung

Ms. Lee Mei Chun

CORPORATE GOVERNANCE REPORT (continued)

Independent Non-executive Directors:

Mr. Chin Kam Cheung (*Chairman of the Audit Committee and member of the Remuneration Committee*)

Mr. Ang Wayne Wu-yee (*Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*)

Mr. Siu Miu Man (*Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*)

The biographical information of the Directors are set out on pages 5 to 6 of this annual report.

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

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

From the Listing Date up to the year ended 31 December 2018, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

The Directors have participated in the following trainings from the Listing Date up to the year ended 31 December 2018:

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

CORPORATE GOVERNANCE REPORT (continued)

- A Attending in-house briefing organised and trainings coordinated by the Company
- B Attending seminars and trainings
- C Reading materials relating to directors' duties and responsibilities

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

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

Audit Committee

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

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

From the Listing Date up to the year ended 31 December 2018, the Audit Committee held six meetings to assess the independence of the Company's auditor; to review the risk management and internal control systems, the Group's annual financial results and report for the year ended 31 December 2017, the Group's quarterly financial results and report for the three months ended 31 March 2018 and nine months ended 30 September 2018 respectively, and the Group's interim financial results and report for the six months ended 30 June 2018 before submission to the Board for approval.

The Audit Committee also met with the external auditors four times from the Listing Date up to the year ended 31 December 2018.

Remuneration Committee

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

From the Listing Date up to the year ended 31 December 2018, the Remuneration Committee held one meeting to review and recommend the remuneration of directors and senior management, and to recommend the 2018 salary adjustment rates for the Group's employees.

Nomination Committee

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

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

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

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

From the Listing Date up to the year ended 31 December 2018, the Nomination Committee held one meeting to review the Board diversity policy and the independence of the independent non-executive Directors, and to consider and recommend to the Board on the re-election of Directors at the forthcoming AGM of the Company.

Corporate Governance Functions

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

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

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

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

CORPORATE GOVERNANCE REPORT (continued)

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held from the Listing Date up to the year ended 31 December 2018 is set out in the table below:

Name of Director	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr. Poon Kwok Wah Allan	4/4	N/A	N/A	1/1	1/1
Mr. Chan Ying Leung	4/4	N/A	N/A	N/A	1/1
Ms. Lee Mei Chun	4/4	N/A	N/A	N/A	0/1
Mr. Chin Kam Cheung	4/4	6/6	1/1	N/A	1/1
Mr. Ang Wayne Wu-yee	3/4	5/6	1/1	1/1	1/1
Mr. Siu Miu Man	4/4	6/6	1/1	1/1	1/1

Four regular Board meetings were held from the Listing Date up to the year ended 31 December 2018.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors from the Listing Date up to the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

The Group is exposed to various types of risks for the year ended 31 December 2018. These risks are set out under "Risk Management" in the section headed "Management Discussion and Analysis" of this annual report.

From the Listing Date up to the year ended 31 December 2018, the Board, as supported by the Audit Committee, the compliance officers and the independent internal control consultant providing the internal audit function, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

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

The report of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 34 to 38 of this annual report.

AUDITOR'S REMUNERATION

KPMG is appointed as the external auditor of the Company. Apart from the provisions of annual audit services, KPMG was also the reporting accountant of the Company in relation to the listing of the Company.

During the year ended 31 December 2018, the total fees paid/payable in respect of audit services and non-audit services provided by KPMG are set out below:

Services rendered to the Company	Fees paid and payable HK\$
Audit services:	
2018 annual audit	500,000
2018 statutory audit for a subsidiary of the Company	300,000
Non-audit services:	
Review of interim financial information	150,000

COMPANY SECRETARY

The Board appointed Mr. Lo Wai Hang as the company secretary in compliance with the requirements of the GEM Listing Rules. Mr. Lo has confirmed that for the year ended 31 December 2018, he has taken no less than 15 hours of relevant professional training.

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

SHAREHOLDERS' RIGHTS

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

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

- Any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

CORPORATE GOVERNANCE REPORT (continued)

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 2512, Cosco Tower, 183 Queen’s Road Central, Hong Kong, for the attention of the Chairman of the Board.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company’s branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

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

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

Address: Room 2512, Cosco Tower, 183 Queen’s Road Central, Hong Kong
(For the attention of the Board of Directors)
Email: cs@excalibur.com.hk
Fax: (852) 2526-0618

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles since the Listing Date up to the year ended 31 December 2018. An up to date version of the Articles is also available on the Company’s website and the Stock Exchange’s website.

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a shareholders’ communication policy to ensure that shareholders’ views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 of the CG Code that has become effective from 1 January 2019. The policy sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Excalibur Global Financial Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are pleased to present the second Environmental, Social and Governance Report (the “**ESG Report**” or the “**Report**”) in accordance with Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). This Report is to provide the Group’s sustainability strategies, policies, practices and performances in environmental, social and governance aspect during the year ended 31 December 2018. The Group will continue to increase the involvement of stakeholders including investors and shareholders, directors, customers and employees to develop a sustainable business and enhance capabilities for long-term competitiveness.

FEEDBACK

Your comments and feedback are highly valued and can help us improve our strategies and performance. If you have any opinions, please feel free to contact us by cs@excalibur.com.hk.

ENVIRONMENTAL

The Group mainly involved in office operations to provide brokerage services in securities, stock options and futures and options trading to its clients. Its business activities do not generate air emission, greenhouse gas, hazardous and non-hazardous waste or waste water and do not have any significant impact on the environment and nature resources. In spite of this, the Group seeks to improve environmental sustainability in its daily operation and full compliance with the environmental laws and regulations.

Use of Resources

Energy

Energy conservation is an important part of the Group social responsibility. During the year ended 31 December 2018, the Group consumed 98,096 units of electricity which represents decrease of approximate 4.0% compared to prior year. By replacing 16 physical servers to virtual machine in our server room, the power consumption has significantly reduced. Computers, lights, air-conditioners and other office equipment and appliances were switched off during non-office hours or in saving mode when not in use.

Water

The Group encourages the employees to save water and employees would turn off water tap after using it. As the water supply is controlled by the building management company and the usage fee is included in the management fee, it is not available for the Group to provide water consumption data.

Environment and Natural Resources

Electricity and paper are the resources mainly used by the Group. To reduce paper consumption, the Group encourages our clients to use e-statement instead of paper statement. As at 31 December 2018, approximately 33% of our clients chooses to receive their statements by email. Besides, the Group promotes electronic communications for record keeping and communication between parties. Double-sided printing is recommended as default mode. During the year ended 31 December 2018, the Group has printed approximately 161,000 pages from our printers and we have ordered approximately 105,000 sheets of paper represents a decrease of approximately 27.5% and 12.5% compared to year ended 31 December 2017, respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL

Employment

The Group believes that employees are critical to the success of the Group. To attract and retain talents, the Group strives to provide a comfortable and equitable workplace. All employees are entitled to medical insurance, discretionary bonus, medical benefits and paid leaves etc. During the year ended 31 December 2018, the Group complied with all applicable laws and regulations in relation to employment matters.

Health and Safety

The Group is committed to provide a health and safety working environment in compliance with the Occupational Safety and Health Ordinance in Hong Kong. Sufficient lightings and adjustable chairs are provided to reduce employees' visual and body strain. During the year ended 31 December 2018, the Group did not record any work-related fatality or injury and there was no breach of relevant laws and regulations.

Development and Training

The Group encourages and subsidizes employees to participate in various development and training programs to achieve personal growth, meet the business needs and develop their career path. Licensed responsible officers or licensed representatives under the Securities and Futures Commission (the "SFC") are required to undertake sufficient continuous professional training ("CPT") under the Securities and Futures Ordinance (Chapter 571).

Labour Standards

The Group complies with all applicable laws and regulations, including the Employment Ordinance in Hong Kong. Child and forced labour are strictly prohibited. To prevent engaging child labour, illegal workers and forced labour, personal data of job applicants will be collected and verified.

OPERATING PRACTICE

Supply Chain Management

The Group strives to maintain long term relationship with suppliers, whose mainly provide trading platform service, networking service and supply of office equipments. When selecting the suppliers, the Group will collect quotations from different suppliers and consider their quality, price, responsiveness, stability and social responsibility. To ensure the suppliers meet the standard, the Group reviews their performance from time to time.

Product Responsibility

Quality Management

The Group highly concerns the service quality and strives to provide professional and high quality services to our clients. To enhance the service quality, training programs are provided to all of the account executives and staff. The Group also maintains and tests the network and systems regularly in order to ensure our clients can have a fast and stable trading experience. Besides, the Group welcomes our clients to provide comments and feedback on our services for continuous improvement. Complaints from clients will be handled promptly and impartially. In the year ended 31 December 2018, there was no complaint received from clients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Law and Regulations

The operation of the Group is regulated by the Securities and Futures Commission (the “SFC”) and obtained relevant licenses and qualifications. Compliance department is responsible for ensuring that the business operations comply with laws and regulations. During the year ended 31 December 2018, there was no breach of relevant laws and regulations.

Data Privacy

Protecting privacy and confidentiality of personal data of our stakeholders are the Group’s most important responsibilities. To prevent misuse and leakage of personal data, the Group complies with the Data Protection Principles in the Personal Data (Privacy) Ordinance. Employees have always been keeping the data securely and are prohibited to disclose or expose it to unauthorised party. Under section 399 of the Securities Futures Ordinance, the Group implemented two-factor authentication (“2FA”) for clients to login to their internet trading accounts. After logging into the trading platform by the current password, an authentication key will be sent to the client through email and SMS, the trading platform would work only after keying in the authentication key. This can improve cyber security resiliency, reduce and mitigate hacking risks and secure the clients’ data. During the year ended 31 December 2018, there were no issues occurred concerning any losses of data.

Anti-corruption/Anti-money Laundering

The Group is committed to build up an ethical corporate culture and strictly complies with all anti-money laundering and counter-terrorist financing laws, regulations and guidelines in Hong Kong. Corruption and money laundering are strictly prohibited. The Group has established policies with clear procedures that employees need to comply. Training programs are also provided to employees to reinforce their knowledge of recognizing and dealing with money laundering and terrorist financing, and updating the relevant Hong Kong legislations and guideline. Besides, the Group’s “Whistle-blowing Policy” encourages and welcomes employees to report any misconduct, malpractice or any inappropriate behavior at work. All disclosures will be treated in a confidential and sensitive manner ensuring that whistleblowers do not face any intimidation or reprisal. During the year ended 31 December 2018, there were no legal cases regarding corrupt and money laundering practices.

Community Investment

Apart from business development, the Group is responsible for community contribution of being a good corporate citizen. The Group encourages employees to participate in various charitable events, to care and assist the disadvantaged in the community. During the year ended 31 December 2018, the Group donated to the Hong Kong Blind Sports Federation and participate the 2018 Run for Brightness in support of the contribution to the development of sport opportunities for people with visual impairment. The Group also donated to the Ten Percent Donation Scheme Foundation in support of the educational expenses of less-fortunate students in Mainland China and Hong Kong.

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of Excalibur Global Financial Holdings Limited (the "**Company**") submit herewith their annual report of the Company together with the audited financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year**").

PRINCIPAL PLACE OF BUSINESS

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

CORPORATE REORGANISATION

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

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

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

A discussion on comparison of business plan with actual business progress and use of proceeds of the Group was set out in sections headed "Comparison of business plan with actual business progress" and "Use of proceeds" in the section headed "Management Discussion and Analysis" set out on pages 8 to 13 of this annual report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are futures and options broking. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 8 to 13 of this annual report. This discussion forms part of this Directors' Report.

RESULTS

The Group's profit for the Year and the state of affairs of the Company and the Group at that date are set out in Note 22(e) to the consolidated financial statements on pages 39 to 79.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board of the Company has resolved to declare the payment of the fourth interim dividend of HK1 cent per share for the year ended 31 December 2018 (2017: nil) payable to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 18 March 2019.

For the purpose of ascertaining the shareholders' entitlement to the fourth interim dividend, the register of members of the Company will be closed from Thursday, 14 March 2019 to Monday, 18 March 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the fourth interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 March 2019.

The dividend warrants are expected to be dispatched to the shareholders on or about Friday, 29 March 2019.

DIRECTORS' REPORT (continued)

ANNUAL GENERAL MEETING (THE "AGM") AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on Wednesday, 29 May 2019 at 3:00 p.m.. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

The register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group are shown on page 63 of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in Note 22(b) to the financial statements. Details about the issue of shares are also set out in Note 22(b) to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the Year.

RESERVES AND DISTRIBUTABILITY OF RESERVES

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

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was approximately HK\$36,437,000 (2017: HK\$Nil).

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue attributable to the largest and 5 largest customers of the Group accounted for approximately 28.1% and 65.1% of the Group's total revenue for the Year, respectively.

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

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

DIRECTORS' REPORT (continued)

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

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

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

In accordance with the above provisions of the Articles, Ms. Lee Mei Chun and Mr. Siu Miu Man, shall retire at the forthcoming AGM and, being eligible, shall offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 5 to 7 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' REPORT (continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

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

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition throughout the period from the Listing Date up to the year ended 31 December 2018. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed of Non-competition by the Controlling Shareholders and confirmed that the Controlling Shareholders have not been in breach of the Deed of Non-competition from the Listing Date up to the year ended 31 December 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date up to the year ended 31 December 2018, none of the Directors or the Controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period from the Listing Date up to the year ended 31 December 2018.

MANAGEMENT CONTRACTS

From the Listing Date up to the year ended 31 December 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

PERMITTED INDEMNITY PROVISIONS

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' REPORT (continued)

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to the required standard of dealings by Directors were as follows:

Long Position in the Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Poon Kwok Wah Allan (Notes 3 and 4)	Beneficial owner; interest held jointly with another person	559,496,000 (L)	69.94%
Mr. Chan Ying Leung (Notes 3 and 5)	Beneficial owner; interest held jointly with another person	559,496,000 (L)	69.94%

Note:

- 1) The letter "L" denotes long position of Shares.
- 2) The total number of the issued shares of the Company as at the date of this report was 800,000,000.
- 3) On 27 October 2017, Controlling Shareholders, namely Mr. Poon Kwok Wah Allan and Mr. Chan Ying Leung, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Company. As such, pursuant to the parties acting in concert arrangement, each of Controlling Shareholders is deemed to be interested in 69.94% of the issued share capital of the Company.
- 4) 559,496,000 Shares in which Mr. Poon Kwok Wah Allan is interested consist of (i) 271,496,060 Shares held by him; and (ii) 287,999,940 Shares in which Mr. Chan Ying Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon Kwok Wah Allan.
- 5) 559,496,000 Shares in which Mr. Chan Ying Leung is interested consist of (i) 287,999,940 Shares held by him; and (ii) 271,496,060 Shares in which Mr. Poon Kwok Wah Allan is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan Ying Leung.

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

DIRECTORS' REPORT (continued)

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

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

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

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

DIRECTORS' REPORT (continued)

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

So far as known to the Directors, as at 31 December 2018, the following persons had or were deemed to have interests in shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Long Position in the Shares and underlying Shares of the Company

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Poon Kwok Wah Allan (Notes 3 and 4)	Beneficial owner; interest held jointly with another person	559,496,000 (L)	69.94%
Mr. Chan Ying Leung (Notes 3 and 5)	Beneficial owner; interest held jointly with another person	559,496,000 (L)	69.94%

Note:

- 1) The letter "L" denotes long position of Shares.
- 2) The total number of the issued shares of the Company as at the date of this report was 800,000,000.
- 3) On 27 October 2017, Controlling Shareholders, namely Mr. Poon Kwok Wah Allan and Mr. Chan Ying Leung, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Company. As such, pursuant to the parties acting in concert arrangement, each of Controlling Shareholders is deemed to be interested in 69.94% of the issued share capital of the Company.
- 4) 559,496,000 Shares in which Mr. Poon Kwok Wah Allan is interested consist of (i) 271,496,060 Shares held by him; and (ii) 287,999,940 Shares in which Mr. Chan Ying Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon Kwok Wah Allan.
- 5) 559,496,000 Shares in which Mr. Chan Ying Leung is interested consist of (i) 287,999,940 Shares held by him; and (ii) 271,496,060 Shares in which Mr. Poon Kwok Wah Allan is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan Ying Leung.

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

DIRECTORS' REPORT (continued)

RELATED PARTY TRANSACTIONS

The related party transactions are set out in Note 25 to the consolidated financial statements. The related party transactions are either connected transactions or continuing connected transactions fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Alliance Capital Partners Limited, the Company's compliance adviser, neither it nor any of its Directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Alliance Capital Partners Limited on 22 February 2017 (the "**Compliance Adviser Agreement**")) as at 31 December 2018.

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 14 to 21 of this annual report.

ENVIRONMENTAL POLICY

Environmental policy is set out in the "Environmental, Social and Governance Report" section on pages 22 to 24 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RETIREMENT SCHEMES

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

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 80 of this annual report. This summary does not form part of the audited consolidated financial statements.

EVENTS AFTER THE YEAR

Details of the events after the Year are set out in Note 28 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

REVENUE FROM RELATED PERSONS

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

	Revenue in 2018 HK\$'000
Self-employed Accounts Executive (" AE ") (own accounts) (Note 1)	4
Self-employed AE (sub-accounts) (Note 1)	297
Mr. Lui Shing Yiu, Dominic (Note 2)	431
Mr. Lin Ke (Note 2)	58

Note:

- 1) Self-employed AEs and staff are defined as related persons as they are employed by the Group.
- 2) Mr. Lui Shing Yiu, Dominic and Mr. Lin Ke are defined as related persons of the Group as they were closely related to one of the major suppliers historically.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chin Kam Cheung (chairman of the Audit Committee), Mr. Ang Wayne Wu-yee and Mr. Siu Miu Man. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2018.

AUDITORS

The Company has not changed its external auditor since the Listing Date up to the date of this annual report.

KPMG, retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the board

Poon Kwok Wah Allan

Executive Director and Chief Executive Officer

27 February 2019, Hong Kong

INDEPENDENT AUDITOR'S REPORT



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

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Excalibur Global Financial Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 39 to 79, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

Revenue recognition – Brokerage commission income

Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 56 to 57.

The Key Audit Matter

Brokerage commission income represented 100% of the total revenue of the Group for the year ended 31 December 2018.

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

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

How the matter was addressed in our audit

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

KPMG

Certified Public Accountants

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

27 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Expressed in Hong Kong dollar)

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	3	50,736	32,840
Other net (loss)/income	4	(236)	203
Salaries and other benefits	5(a)	(6,950)	(5,162)
Other operating and administrative expenses	5(b)	(18,240)	(12,430)
Listing expenses		(1,337)	(13,337)
Profit before tax	5	23,973	2,114
Income tax expenses	8	(4,490)	(2,692)
Profit/(loss) for the year and total comprehensive income for the year		19,483	(578)
Attributable to:			
Equity shareholders of the Company		19,483	(971)
Non-controlling interests		–	393
Total comprehensive income for the year		19,483	(578)
Earnings/(loss) per share			
Basic and diluted (cents)	9	2.46	(0.16)

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

The notes on pages 43 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property and equipment	10	1,089	137
Intangible assets	11	480	480
Statutory deposits	12	3,500	1,723
Other assets	15	–	644
		5,069	2,984
Current assets			
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	14	75,417	11,938
Other assets	15	6,374	1,392
Amount due from a related party	17	6	–
Financial assets at fair value through profit or loss	18	31	54
Current tax assets	21	–	238
Cash and cash equivalents	16(a)	30,251	12,964
		112,079	26,586
Current liabilities			
Accounts payable arising from ordinary course of business of trading in futures contracts and options	19	33,877	10,440
Other payables and accruals	20	1,865	5,874
Current tax liabilities	21	2,672	–
		38,414	16,314
Net current assets		73,665	10,272
NET ASSETS		78,734	13,256
CAPITAL AND RESERVES			
Share capital	22(b)	8,000	6,000
Share premium		68,009	–
Retained earnings		5,524	10,055
Other reserves		(2,799)	(2,799)
TOTAL EQUITY		78,734	13,256

Approved and authorised for issue by the board of directors on 27 February 2019.

Poon Kwok Wah Allan

Directors

Chan Ying Leung

The notes on pages 43 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Group							
Note	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Other reserves HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
Balance at 1 January 2017	–	–	11,026	2,062	13,088	746	13,834
Changes in equity for 2017:							
Loss for the year and total comprehensive income for the year	–	–	(971)	–	(971)	393	(578)
Effect of the Reorganisation							
– Issuance of new ordinary shares	22(b)	6,000	–	(6,000)	–	–	–
– Acquisition of non-controlling interest		–	–	1,139	1,139	(1,139)	–
Balance at 31 December 2017	6,000	–	10,055	(2,799)	13,256	–	13,256
Impact of initial application of HKFRS 15	–	–	–	–	–	–	–
Impact of initial application of HKFRS 9	–	–	(14)	–	(14)	–	(14)
Adjust balance at 1 January 2018	6,000	–	10,041	(2,799)	13,242	–	13,242
Changes in equity for 2018:							
Profit for the year and total comprehensive income for the year	–	–	19,483	–	19,483	–	19,483
Issuance of ordinary shares under IPO; net of share issuance expenses	22(b)	2,000	68,009	–	70,009	–	70,009
Interim dividends declared and paid in respect of the current year	22(e)	–	(24,000)	–	(24,000)	–	(24,000)
Balance at 31 December 2018	8,000	68,009	5,524	(2,799)	78,734	–	78,734

The notes on pages 43 to 79 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 HK\$'000	2017 HK\$'000
Operating activities			
Cash (used in)/generated from operations	16(b)	(30,408)	6,656
Income tax paid		(1,580)	(4,079)
Net cash (used in)/generated from operating activities		(31,988)	2,577
Investing activities			
Interest received		66	2
Purchases of property and equipment	10	(1,177)	(87)
Net cash used in investing activities		(1,111)	(85)
Financing activities			
Issuance of shares		80,000	–
Interim dividend paid	22(e)	(24,000)	–
Payment for listing expenses		(5,521)	–
Net cash generated from financing activities		50,479	–
Net increase in cash and cash equivalents		17,380	2,492
Cash and cash equivalents at 1 January		12,964	10,472
Effect of foreign exchange rate changes, on cash held		(93)	–
Cash and cash equivalents at 31 December	16(a)	30,251	12,964

The notes on pages 43 to 79 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL

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

The Company has not carried on any business since the date of its incorporation save for the group reorganization (the “**Reorganisation**”) on 12 October 2017. The Company and its subsidiaries (together, “**the Group**”) mainly provide brokerage services for futures and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. The Group has established two subsidiaries, Excalibur Finance Limited and Shenzhen Qianhai Excalibur Investment Consulting Limited, during the year. There is no actual business operation of the two subsidiaries as at 31 December 2018.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation at the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- (i) HKFRS 9, *Financial instruments*
- (ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

	HK\$'000
Retained earnings	
Recognition of additional expected credit losses on:	
– Accounts receivable arising from ordinary course of business of trading in futures contracts and options	(14)
<hr/>	
Net decrease in retained earnings at 1 January 2018	(14)
<hr/>	

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Statutory deposits	1,723	–	–	1,723
Other assets	675	–	–	675
Financial assets at fair value through profit or loss	54	–	–	54
Cash and cash equivalents	12,964	–	–	12,964
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	11,938	–	(14)	11,924
	<hr/>			<hr/>
	27,354	–	(14)	27,340
	<hr/>			<hr/>

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in Note 2(f).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

a. Classification of financial assets and financial liabilities (continued)

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following item:

- financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and other assets).

For further details on the Group’s accounting policy for accounting for credit losses, see Note 2(i)(i).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK\$'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– Accounts receivable arising from ordinary course of business of trading futures contracts and options	14
– Cash and cash equivalents	–
	<hr/>
Loss allowance at 1 January 2018 under HKFRS 9	14

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets 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 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

c. Transition (continued)

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Currently, revenue arising from the provision of services is recognised when the transactions are executed. HKFRS 15 does not have a material impact on the Group's consolidated financial statements.

(d) Subsidiaries and non-controlling interests

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

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

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

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

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

(e) Intangible assets

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

(f) Investments in equity securities

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

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 23(f). Investments in equity securities are subsequently accounted for as follows:

(A) Policy applicable from 1 January 2018

Investments in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(o).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in equity securities (continued)

(B) Policy applicable prior to 1 January 2018

Investments in equity securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Fair value measurement principles

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

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

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

(g) Accounts receivable and other receivables

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

(h) Property and equipment

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

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

– Leasehold improvement	Over the lease terms
– Computer equipment	33 $\frac{1}{3}$ %
– Fixture and furniture	20%
– Office equipment	20%

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment (continued)

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

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

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

a. Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following item:

- financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and other assets).

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

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

In measuring ECLs, the group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

a. Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

Loss allowances for accounts receivable and other assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) 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 (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates; and
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available).

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

a. Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

b. Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. accounts receivable and other receivables). Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

- For accounts receivable and others receivables carried at amortised cost, impairment loss was measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.
- If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment of property and equipment

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(i)(i)).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(c).

(k) Accounts payable and other payables

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

(l) Income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits

(i) Salaries, bonuses and leave benefits

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

(ii) Retirement benefits

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

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

(n) Provisions and contingent liabilities

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

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

(o) Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

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

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised costs that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount of net of loss allowance) of the assets (see Note 2(i)(i)).

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

(p) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets as liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(q) Fiduciary activities

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

(r) Operating lease charges

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

(s) Related parties

- (1) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties (continued)

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

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

(t) Segregated accounts

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

3 REVENUE

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

Revenue represents the brokerage commission from futures and options broking.

	2018 HK\$'000	2017 HK\$'000
Hong Kong market	10,810	6,403
Overseas markets	39,926	26,437
	50,736	32,840

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET (LOSS)/INCOME

	2018 HK\$'000	2017 HK\$'000
Interest income	66	2
Exchange (losses)/gains, net	(386)	155
Loss on financial assets at fair value through profit or loss	(23)	(68)
Sundry income	93	114
Reversal of provision of bad debt	14	–
	(236)	203

5 PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
(a) Staff costs		
Salaries and allowances	6,655	4,913
Staff welfares	39	42
Retirement scheme contributions	256	207
	6,950	5,162

	2018 HK\$'000	2017 HK\$'000
(b) Other operating and administrative expenses		
IT and communication expenses	7,163	4,748
Marketing expenses	36	23
Commission expenses	3,149	1,495
Rental expenses	2,600	2,603
Legal and professional fees	1,968	1,362
Auditors' remuneration	955	805
Depreciation of property and equipment	225	51
Other expenses	2,144	1,343
	18,240	12,430

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 DIRECTORS' REMUNERATION

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

Name	2018				
	Directors' fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Directors					
Poon Kwok Wah Allan	240	600	–	30	870
Chan Ying Leung	120	300	–	21	441
Lee Mei Chun	120	516	–	24	660
Chin Kam Cheung	120	–	–	–	120
Ang Wayne Wu-yee	120	–	–	–	120
Siu Miu Man	120	–	–	–	120
Total	840	1,416	–	75	2,331

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2018, the five individuals with highest emoluments included three directors (2017: three) whose emoluments are disclosed in Note 6. The aggregate of the emoluments are as follows:

	2018 HK\$'000	2017 HK\$'000
Directors' fees	480	–
Salaries, allowance and benefits in kind	2,710	2,373
Retirement scheme contributions	111	87
	3,301	2,460

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

	2018 Number of individuals	2017 Number of individuals
HKD Nil to HKD1,000,000	5	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2018.

8 INCOME TAX EXPENSES

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

	2018 HK\$'000	2017 HK\$'000
Current tax		
Hong Kong Profits Tax	4,559	2,692
Overprovision in respect of prior year	(69)	–
	4,490	2,692
Deferred tax		
Origination and reversal of temporary differences	–	–

The provision for Hong Kong Profits Tax for year ended 31 December 2018 is calculated at 8.25% on the assessable profits up to HK\$2 million and 16.5% on any part of the assessable profits over HK\$2 million (2017: 16.5% on all assessable profits).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX EXPENSES (continued)

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

	2018 HK\$'000	2017 HK\$'000
Profit before tax	23,973	2,114
Income tax at applicable tax rate of 8.25% on the first HK\$2 million profit	165	–
Income tax at applicable tax rate of 16.5% on remaining profit	3,625	349
Tax effect of temporary differences	(160)	(15)
Tax effect on non-deductible expenses	902	2,360
Tax effect on non-taxable income	–	(14)
Over-provision in prior year	(69)	–
Others	27	12
Actual tax expense	4,490	2,692

From year of assessment 2018/19 onwards, tax rate of 8.25% and 16.5% would be applied on assessable profits up to HK\$2 million and on any part of assessable profits over HK\$2 million respectively.

9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the financial year is based on the profit/(loss) attributable to equity shareholders of the Company for the year ended 31 December 2018 of HK\$19,483,000 (2017: loss of HK\$971,000), and the weighted average number of shares in issue during the year ended 31 December 2018 of 793,424,658 (2017: 600,000,000). The weighted average number of shares in issue during the year ended 31 December 2017 is based on the assumption that 600,000,000 ordinary shares were in issue as if the shares issued at the date the Company became the holding company of the Group were outstanding throughout the year ended 31 December 2017. No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PROPERTY AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and fixture HK\$'000	Computer equipment HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost:					
At 1 January 2018	676	41	4,508	1,382	6,607
Additions	–	23	1,150	4	1,177
At 31 December 2018	676	64	5,658	1,386	7,784
Accumulated depreciations:					
At 1 January 2018	(676)	(35)	(4,411)	(1,348)	(6,470)
Charge for the year	–	(4)	(210)	(11)	(225)
At 31 December 2018	(676)	(39)	(4,621)	(1,359)	(6,695)
Net carrying values:					
At 31 December 2018	–	25	1,037	27	1,089
Cost:					
At 1 January 2017	676	41	4,421	1,382	6,520
Additions	–	–	87	–	87
At 31 December 2017	676	41	4,508	1,382	6,607
Accumulated depreciations:					
At 1 January 2017	(676)	(31)	(4,376)	(1,336)	(6,419)
Charge for the year	–	(4)	(35)	(12)	(51)
At 31 December 2017	(676)	(35)	(4,411)	(1,348)	(6,470)
Net carrying values:					
At 31 December 2017	–	6	97	34	137

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSETS

	2018 HK\$'000	2017 HK\$'000
HKFE trading right	480	480

12 STATUTORY DEPOSITS

	2018 HK\$'000	2017 HK\$'000
Reserve fund deposit with HKFE Clearing Corporation Limited	3,500	1,723

13 INVESTMENT IN SUBSIDIARIES

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

Name of company	Place of incorporation and business	Capital issued and deemed to be paid	Attributable equity interest		Principal activities
			Direct	Indirect	
* Excalibur Global Financial Group Ltd	British Virgin Islands	US\$2	100%	–	Investment holding
* New Century Excalibur Holdings Ltd	Hong Kong	HK\$20,780,000	–	100%	Investment holding
Excalibur Global Financial Group Ltd 駿溢環球金融集團有限公司	Hong Kong	HK\$12million	–	100%	Futures brokerage business
* Excalibur Finance Ltd	Hong Kong	HK\$100	–	100%	Money lending business
* Shenzhen Qianhai Excalibur Investment Consulting Limited 深圳市前海駿溢投資諮詢有限公司	People's Republic of China	CNY5 million	–	100%	Provision of investment consulting services

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total revenue constituting approximately 3.57% and 0% respectively of the related consolidated totals.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

	2018 HK\$'000	2017 HK\$'000
Accounts receivable		
– Cash clients	–	143
– Clearing house	4,737	5,665
– Overseas brokers	70,680	6,130
	75,417	11,938

Aging analysis

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

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

	2018 HK\$'000	2017 HK\$'000
Current (not past due)	75,417	11,795
1 – 30 days past due	–	143
	75,417	11,938

15 OTHER ASSETS

	2018 HK\$'000	2017 HK\$'000
Current assets		
Prepayments	3,883	1,336
Rental and other deposits	2,476	41
Other receivables	15	15
	6,374	1,392
Non-current assets		
Rental and management fee deposits	–	644
	6,374	2,036

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2018 HK\$'000	2017 HK\$'000
Cash at banks and on hand	30,251	12,964

The Group maintains segregated accounts with authorised institutions as a result of its normal business transactions. Segregated accounts not otherwise dealt with in these account amounted to HK\$65,323,000 as at 31 December 2018 (2017: HK\$32,327,000).

(b) Reconciliation of profit before taxation to net cash generated from operating activities:

	Note	2018 HK\$'000	2017 HK\$'000
Profit before tax		23,973	2,114
Adjustments for:			
Interest income	4	(66)	(2)
Loss on changes in fair value of financial assets at fair value through profit or loss	4	23	68
Depreciation	10	225	51
Reversal of provision of bad debt	4	(14)	–
Unrealised foreign exchange losses		383	–
Changes in working capital:			
Increase in statutory deposits		(1,777)	(179)
Increase in accounts receivable arising from ordinary course of business of trading in futures contracts and options		(63,513)	(150)
(Increase)/decrease in prepayment, deposits and other receivables		(5,440)	377
(Increase)/decrease in amount due from a related party		(6)	28
Decrease in amount due to a related party		–	(325)
Increase in account payables arising from ordinary course of business of trading in futures contracts and options		23,182	244
(Decrease)/increase in other payables and accruals		(7,378)	4,430
Cash (used in)/generated from operations		(30,408)	6,656

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 AMOUNT DUE FROM A RELATED PARTY

	2018 HK\$'000	2017 HK\$'000
Future Concept Limited	6	–

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

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Long positions in trading securities – Equity securities listed in Hong Kong	31	54

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

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

	2018 HK\$'000	2017 HK\$'000
Accounts payable – Cash clients	33,877	10,440

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

All of the accounts payable are repayable on demand.

20 OTHER PAYABLES AND ACCRUALS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current taxation in the consolidated statement of financial position represents:

	2018 HK\$'000	2017 HK\$'000
Provision for Hong Kong Profits tax	(2,672)	–
Tax recoverable	–	238
	(2,672)	238

22 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Authorised share capital

A summary of movements of authorised share capital of the Company is as follows:

	No. of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each, authorised		
At date of incorporation and 1 January 2017 (Note a)	38,000,000	380
Increase in authorised share capital (Note b)	9,962,000,000	99,620
At 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000

Notes:

- (a) On 13 July 2016, the Company was incorporated as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided by 38,000,000 shares of HK\$0.01 each under the laws of the Cayman Islands.
- (b) On 19 December 2017, the Board has approved the increase of the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Issued share capital

A summary of movements of issued share capital of the Company is as follows:

	No. of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid		
At date of incorporation and 1 January 2017 (Note a)	38,000	–
Issuance of shares for the Reorganisation (Note b)	599,962,000	6,000
At 31 December 2017 and 1 January 2018	600,000,000	6,000
Issuance of shares (Note c)	200,000,000	2,000
At 31 December 2018	800,000,000	8,000

Notes:

- (a) Prior to the Reorganisation of the Group on 12 October 2017, the share capital of the Group represented the aggregate amount share capital of the companies comprising the Group.
- (b) Pursuant to the Reorganisation as set out in Note 1 on 12 October 2017, the Company's issued share capital was increased from HK\$380 to HK\$100,000 through the issuance of 4,781,001 shares, 4,780,999 shares and 400,000 shares, credited as fully paid, to Mr. Poon Kwok Wah, Alan, Mr. Chan Ying Leung and Fortune Millennium Investment Limited (solely owned by Mr. Ding Yimin) respectively. Subsequently on 19 December 2017, the Company's issued share capital was increased from HK\$100,000 to HK\$6,000,000 through the issuance of 283,200,059 shares, 283,199,941 shares and 23,600,000 shares, credited as fully paid, to Mr. Poon Kwok Wah Allan, Mr. Chan Ying Leung and Fortune Millennium investment Limited respectively.
- (c) The Company issued 200,000,000 shares for its listing on the Stock Exchange of Hong Kong.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Retained earnings

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

(d) Other reserves

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

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

(e) Dividends

Dividends payable to equity shareholders of the Company attribution to the year.

	2018 HK\$'000	2017 HK\$'000
Interim dividend declared, approved and paid of HK1 cent per share (2017: nil)	8,000	–
Second interim dividend declared, approved and paid HK1 cent per share (2017: nil)	8,000	–
Third interim dividend declared, approved and paid HK1 cent per share (2017: nil)	8,000	–
Fourth interim dividend declared, HK1 cent per share (2017: nil)	8,000	–
	32,000	–

The fourth interim dividend declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(f) Capital management

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

The Group defines "capital" as including all components of equity less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Group as capital. On this basis the amount of capital employed at 31 December 2018 amounted to HK\$78,734,000 (2017: HK\$13,256,000).

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

Excalibur Global Financial Group Limited, a subsidiary of the Group, as a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, is subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR"). The minimum paid-up share capital requirement is HK\$5,000,000 and the minimum liquid capital requirement is the higher of HK\$3,000,000 and the variable required liquid capital as defined in the FRR. The subsidiary complied with the liquid capital requirements under FRR for the year ended 31 December 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, statutory deposits placed in clearing house, accounts receivable due from clients, clearing house and overseas brokers, amount due from a related party and other assets with contractual cash flows.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating of A2 assigned by Moody's, for which the Group considers to have low credit risk.

With registration with regulatory bodies, the credit risk exposure associated with clearing house is also considered as minimal.

The Group measures loss allowances with reference to the external credit ratings or internal historical loss record, if applicable.

The following table provides information about the Group's exposure to credit risk and ECLs as at 31 December 2018:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Non-current (not past due)			
Statutory deposits	0.00%	3,500	–
Current (not past due)			
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	0.00%	75,417	–
Other assets with contractual cash flows	0.00%	2,491	–
Amount due from a related party	0.00%	6	–
Cash and cash equivalents	0.00%	30,251	–
		<hr/>	
		111,665	–

Expected loss rates are based on actual loss experience over the past 10 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(i)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, accounts receivable of HK\$nil was determined to be impaired. The aging analysis of accounts receivable and other assets with contractual cash flows that were not considered to be impaired was as follows:

	2017 HK\$'000
Neither past due nor impaired	
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	11,795
Other assets with contractual cash flows	700
1-30 days past due	
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	143
	12,638

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of accounts receivable and other receivables during the year is as follows:

	2018 HK\$'000	2017 HK\$'000
Balance at 31 December under HKAS 39	–	–
Impact on initial application of HKFRS 9 (Note 2(c)(i))	14	–
Adjusted balance at 1 January	14	–
Amounts written off during the year	(14)	–
Impairment losses recognised during the year	–	–
Balance at 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

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

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand HK\$'000	Within 6 months HK\$'000
At 31 December 2018				
Accounts payable arising from ordinary course of business of trading in futures contracts and options	33,877	33,877	33,877	–
Other payables and accruals	1,865	1,865	–	1,865
Current tax liabilities	2,672	2,672	2,672	–
At 31 December 2017				
Accounts payable arising from ordinary course of business of trading in futures contracts and options	10,440	10,440	10,440	–
Other payables and accruals	5,874	5,874	–	5,874

(c) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

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

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

Exposure to currency risk and sensitivity analysis

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

	2018			2017		
	Net assets in foreign currency HK\$'000	Appreciation/ (depreciation) in foreign currency %	Effect on profit before tax and retained profits HK\$'000	Net assets in foreign currency HK\$'000	Appreciation/ (depreciation) in foreign currency %	Effect on profit before tax and retained profits HK\$'000
Chinese Yuan (CNY)	181	5 (5)	9 (9)	374	5 (5)	19 (19)
British Pounds (GBP)	6	5 (5)	- -	6	5 (5)	- -
Japanese Yen (JPY)	315	5 (5)	16 (16)	317	5 (5)	16 (16)
Eurodollars (EUR)	721	5 (5)	36 (36)	755	5 (5)	38 (38)

The sensitivity analysis assumes that the change in foreign exchange rate has been applied to re-measure those net assets which expose the Group to foreign currency risk at the reporting date. The analysis is performed on the same basis for 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from its investments in equity securities (see Note 18).

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

Sensitivity analysis

If the prices of the respective equity instruments had been 5% higher/lower, the profit for the year ended 31 December 2018 would increase/decrease by HK\$2,000 (2017: HK\$3,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

(f) Fair value measurement

Financial instruments measured at fair value

Fair value hierarchy

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

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

At 31 December 2018, the only financial instruments of the Company carried at fair value were listed equity securities of HK\$31,000 (2017: HK\$54,000) listed on the Stock Exchange of Hong Kong (see Note 18). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 OPERATING LEASES COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating lease are payables as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	1,607	2,259
After 1 year but within 5 years	–	1,607
	1,607	3,866

25 MATERIAL RELATED PARTY TRANSACTIONS

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

	2018 HK\$'000	2017 HK\$'000
Transactions:		
Ding Yimin, shareholder of the Company Consultancy fee	–	360

Ding Yimin sold all his shares at Fortune Millennium Investment Limited on 8 May 2018 and was no longer a material related party.

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

(c) Financing arrangement

	Notes	Amount owed to the Group As at 31 December		Related interest income Year ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loan to director	(i), (ii)	–	–	60	–

Notes:

(i) The loan was fully repaid on 28 June 2018, no other lendings to director and outstanding balance noted as at 31 December 2018.

(ii) Further details of the loan to director of the Group are disclosed in note 30.

26 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, the directors consider the ultimate controlling shareholders of the Company to be Mr. Poon Kwok Wah Allan and Mr. Chan Ying Leung.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2018 HK\$'000	2017 HK\$'000
Non-current asset		
Investment in a subsidiary	–	–
Current assets		
Other assets	305	72
Amounts due from subsidiaries	29,705	–
Cash and cash equivalents	9,639	–
	39,649	72
Current liabilities		
Other payables and accruals	412	2,474
Amount due to a subsidiary	800	1,425
	1,212	3,899
Net current assets/(liabilities)	38,437	(3,827)
NET ASSETS/(LIABILITIES)	38,437	(3,827)
CAPITAL AND RESERVES		
Share capital	8,000	6,000
Share premium	68,009	–
Accumulated deficit	(31,572)	(3,827)
Other reserves	(6,000)	(6,000)
TOTAL EQUITY/(DEFICIT)	38,437	(3,827)

Approved and authorised for issue by the board of directors on 27 February 2019.

Poon Kwok Wah Allan

Directors

Chan Ying Leung

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors declared the payment of the fourth interim dividend. Further details are disclosed in Note 22(e).

29 SEGMENT REPORTING

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

30 LOAN TO A DIRECTOR

Loan to a director of the Group disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of borrower	Mr. Chan Ying Leung
Relationship with the Group	Director and one of the two ultimate controlling parties of the Company
Terms of the loan	
– duration and repayment terms	3 months starting from the drawdown date (i.e. 9 March 2018), the borrower has the right to extend for further 3 months
– loan amount	HK\$2,500,000
– interest rate	3% above Hang Seng Bank Hong Kong Dollar Prime Rate at the agreement date
– security	None
Balance of the loan	
– at 31 December 2018	Nil
Maximum balance outstanding	
– during 2018	HK\$2,500,000

There was no amount due but unpaid, nor any provision made against the principal amount of or interest on the loan at 31 December 2018.

31 COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 and 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, *Leases*

As disclosed in Note 2(r), currently the Group classifies the leases as operating leases and enters into the leases as the lessee.

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the year ended 31 December 2016 which was extracted from the Company's prospectus dated 29 December 2017 has been prepared on a combined basis to indicate the results and financial position of the Group as if the group structure as at 31 December 2018 had been existence throughout those years.

RESULTS

	Year ended 31 December		
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	50,736	32,840	40,776
Profit before tax	23,973	2,114	15,423
Income tax expenses	(4,490)	(2,692)	(3,635)
Profit/(loss) for the year and total comprehensive income for the year	19,483	(578)	11,788

ASSETS AND LIABILITIES

	As at 31 December		
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Non-current assets	5,069	2,984	2,769
Current assets	112,079	26,586	24,179
Total assets	117,148	29,570	26,948
Current liabilities	38,414	16,314	13,114
Total liabilities	38,414	16,314	13,114
Net assets	78,734	13,256	13,834