



Excalibur Global Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8350

A large graphic of interconnected hexagons in various shades of blue and green, some containing abstract digital or financial imagery like data grids and gears.

Annual Report
2019



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. 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, M.H.

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, M.H.

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF RISK MANAGEMENT COMMITTEE

Mr. Siu Miu Man, M.H. (Chairman)
Mr. Poon Kwok Wah Allan
Ms. Lee Mei Chun

COMPLIANCE ADVISER

Alliance Capital Partners Limited
Room 1502-03A
15/F Wing On House
71 Des Voeux Road Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants and Public Interest Entity
Auditor registered in accordance with the Financial Reporting
Council Ordinance

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2512, Cosco Tower
183 Queen's Road Central
Hong Kong
Tel: (852) 2526-0388
Fax: (852) 2526-0618

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications Company Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980-1333
Fax: (852) 2810-8185

STOCK CODE

8350

WEBSITE

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

CHAIRMAN'S STATEMENT

It is my pleasure to present our shareholders the 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 2019 (the "**Year**").

The financial results of the Group for the Year is disappointing, especially in the second half of the Year. The revenue of the Group decreased from HK\$50.7 million to HK\$18.9 million, representing a sharp decrease of 62.7%. Such a drop in revenue was largely due to a lack of interest in trading in futures products from our customers from the People's Republic of China (the "**PRC**"), especially during the second half of the Year. The revenue of the second half of the Year was only amounted to HK\$3.9 million, representing a drop of 87.6% from HK\$31.4 million in the second half of the Prior Year. Due to the social unrest in Hong Kong starting from the second half of the Year, potential customers in the PRC have hesitations to travel to Hong Kong to complete the account opening procedures, leading to a lack of new clients from the PRC starting from the third quarter of the Year. This hugely impacts the revenue of the Year. Besides, even though we have delayed our setup of the representative office in Qianhai, our investment made during the Year in relation to promoting our businesses in the PRC could not pay off.

In the Year, the Group has commenced the stock options and securities brokerage business and margin financing businesses. During the Year, the Group recorded HK\$0.5 million revenue generated from these new businesses. Although the performances are below the management expectation, management believed that these new businesses will contribute more in the revenue in the future. Management is planning to do more promotion and hold seminars on stock options to our existing and potential customers in Hong Kong.

Looking ahead to 2020, even though the trade war between the United States ("**US**") and China has been de-escalated after "phase one" deal was signed between both parties in January 2020, and that the United Kingdom finally withdrew from the European Union on 31 January 2020, the market atmosphere of Hong Kong and China is once again hit by the outspread of the novel coronavirus. Such an outbreak not only affects the financial markets in Asia but also worldwide markets including the US and Europe. Uncertainty once again surrounds the financial markets resulting in marked increase in market volatility. CBOE Volatility Index, a measure of the stock market's expectation of volatility based on S&P 500 index options, increased from 14 at the end of 2019 to over 80 in March 2020. As there is still no sign of abatement of such outspread, the management believes that the financial market is still heavily affected by developments of the novel coronavirus. In view of the effect of the Government of Hong Kong Special Administrative Region ("**HKSAR**") to control the spread of the outbreak, mainlanders are temporarily suspended to enter Hong Kong. Such a restrictive entry measure affects our marketing strategy in the PRC as potential customers from the PRC cannot travel to Hong Kong to complete account opening procedures. The management is looking for ways to encourage more potential customers to open accounts.

I expect a challenging year ahead for the Group but an of the new there is still good opportunity to expand our client base after outbreak. The Group will strictly adhere to its cost control policy and shall adopt its business strategy in response to changes in such environment. The Group will continue to strive to achieve a sustainable growth and long-term benefits 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, 26 March 2020

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 2019 and up to the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. POON Kwok Wah Allan, aged 58

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 and the member of the Risk Management 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 24 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 52

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 12 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 58

Ms. Lee is an executive Director and a compliance officer of the Company. Ms. Lee is also the member of the Risk Management Committee. 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 62

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 49

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 17 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, M.H., aged 62

Mr. Siu is an independent non-executive Director, the chairman of the Risk Management Committee, 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 27 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. Mr. Siu is awarded M.H. in recognition of his dedicated community service to Kowloon City by HKSAR on 1 July 2019.

DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Mr. LO Wai Hang, aged 35

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 11 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 46

Mr. Cheung joined the Group as an Information Technology manager since October 2011. Mr. Cheung has over 17 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 68

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 47

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 17 years in the futures industry.

Mr. WONG Man Ting, Edwin, aged 33

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.

Mr. SHUM Alan Koon Ho, aged 31

Mr. Shum was appointed as director of Excalibur Global HK in August 2019. Mr. Shum has over 5 years experience in the securities and futures business in Hong Kong and he has been a responsible officer since December 2019. Mr. Shum was responsible for reviewing the market with the trading team daily to develop views for the purpose of risk control for margined securities and futures accounts. He also supervises and manages the risk control with overseas brokers and general operation of global futures trading.

COMPANY SECRETARY

Mr. LO Wai Hang, aged 35

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 2019 (the “Year”), revenue of the Group amounted to approximately HK\$18,919,000, representing a sharp decrease of approximately 62.7% from approximately HK\$50,736,000 for the year ended 31 December 2018 (the “Prior Year”). Such drop was mainly driven by the decrease in revenue in the second half of the Year, especially revenue contributed by the customers from the PRC. In the second half of the Year, potential clients from the PRC were unwilling to travel to Hong Kong to complete the account opening procedures due to the social unrest in Hong Kong.

The Group recorded a loss of approximately HK\$16,535,000 for the Year, as compared with the profit of approximately HK\$19,483,000 for the Prior Year. Net loss attributable to equity shareholders of the Company amounted to approximately HK\$16,535,000 for the Year, compared with the profit of approximately HK\$19,483,000 for the Prior Year. The overall performance from net profit to net loss attributable to equity shareholders of the Company was mainly contributed by (i) the drop in revenue generated during the Year; and (ii) the increase in marketing expenses recognised during the Year in order to promote the business in the PRC.

The basic and diluted losses per share of the Company for the Year was approximately HK2.07 cents as compared with the basic and diluted earnings per share of approximately HK2.46 cents for the Prior Year.

Revenue

The Group mainly provides futures and options, stock options and securities broking and margin financing service to clients. The Group mainly derived the revenue principally from brokerage fees received from the clients for the execution and/or facilitation of execution of trades through the online trading platform and finance charge received for the margin loan to clients.

The table below sets out the breakdown of the revenue generated by the Group from brokerage fees received for different broking businesses, and also interest income arising from margin loan financing for the Year.

Market	Year ended 31 December 2019		Year ended 31 December 2018		Increment (Decrement)	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	%
Brokerage commission income derived from Futures and options trading business						
Hong Kong market	7,180	37.9	10,810	21.3	(3,630)	(33.6)
Overseas markets	11,204	59.2	39,926	78.7	(28,722)	(71.9)
Sub-total	18,384	97.1	50,736	100.0	(32,352)	(63.8)
Stock options trading business	106	0.6	–	–	106	N/A
Securities trading business	40	0.2	–	–	40	N/A
Interest income derived from margin financing	389	2.1	–	–	389	N/A
	18,919	100.0	50,736	100.0	(31,817)	(62.7)

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The following table sets forth a breakdown of the revenue derived from futures and options trading, being the major broking business of the Group, in respect of types of products traded by the clients in the Year.

Market	Year ended 31 December 2019		Year ended 31 December 2018		Increment (Decrement)	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	%
Index futures and options	12,656	68.9	29,858	58.8	(17,202)	(57.6)
Energy futures	3,536	19.2	14,619	28.8	(11,083)	(75.8)
Precious metal futures	1,610	8.8	2,346	4.6	(736)	(31.4)
Industrial metal futures	328	1.8	593	1.2	(265)	(44.7)
Forex futures	136	0.7	2,312	4.5	(2,176)	(94.1)
Agricultural futures	93	0.5	1,004	2.0	(911)	(90.7)
Other futures	25	0.1	4	0.1	21	525.0
	18,384	100.0	50,736	100.0	(32,352)	(63.8)

There was a sharp decrease in the commission received from futures and options trading for all types of products during the Year. The decrement ranged from 31.4% to 94.1% for all types (except for other futures). Management believed that the decrement of commission received was mainly due to the decrease in trades executed by the clients from the PRC, as well as the decrease in commission rates charged to these clients.

The drop in revenue was mainly due to (i) decrease of income derived from existing clients and (ii) lack of new clients from the PRC clients who were unwilling to travel to Hong Kong to complete account opening procedures due to the social unrest in second half of the Year.

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 2019		Year ended 31 December 2018	
	Gross commission HK\$ (Note 1)	Net commission HK\$ (Note 2)	Gross commission HK\$ (Note 1)	Net commission HK\$ (Note 2)
HSI Futures	24.5	24.5	37.3	37.3
Light Crude Oil Futures	62.3	46.9	137.6	122.8
Mini Sized Dow Jones Futures	51.1	38.2	64.6	51.9
XinHua China A50 Index Futures	37.4	26.4	60.7	49.8
Mini HSI Futures	8.8	8.8	(Note 3)	
Gold Futures	(Note 3)		91.8	76.9

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.

There was a general decrease in both net commission and gross commission for each top five futures and options contract traded through the Group during the Year. In general, the Group could charge more from the PRC customers as the competition of broking business in the PRC is less intense compared to that in Hong Kong. The management believed the decrease in trading volume by the PRC customers will lead to a decrease in net commission earned per each contracts.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As at 31 December 2019, the Group has 294 active clients (i.e. have executed at least one trade in the past twelve months period), which represents a slight decrease of approximately 3.6% compared to 305 active clients as at 31 December 2018. Such decrease was mainly due to fewer clients from PRC to open trading accounts in Hong Kong because of the social unrest in second half of the Year, partly offset by the commencement of new businesses during the Year. The Group's business strategy is to target high net wealth clients who 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.

Other net loss

For the Year, the Group's other net loss amounted to approximately HK\$182,000, representing a decrease of 22.9% as compared to approximately HK\$236,000 for the Prior Year. Such decrease was mainly contributed by the decrease in exchange loss from HK\$386,000 for the Prior Year to HK\$295,000 in the Year.

Staff cost and remuneration policies

As at 31 December 2019, the Group engaged a total of 19 employees (2018: 19) including the executive Directors. For the Year, the total staff costs amounted to approximately HK\$8.0 million (2018: approximately HK\$7.0 million). The increase of total staff cost was mainly contributed by the salaries paid for the additional staff who joined the Group in late 2018. Remuneration (including employees' benefit) 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\$29.1 million, representing an increase of approximately 59.9% from approximately HK\$18.2 million for the Prior Year. Several key expenses items being included in this category are discussed below.

(a) Marketing expenses (accounts for approximately 38.2% of G&A expenses)

In the Year, the Group incurred HK\$11.1 million for marketing expenses, which represents an increase of 309 times compared to HK\$36,000 in Prior Year. During the Year, the Group adopted an aggressive marketing plan in the PRC to promote the new stock options and securities brokerage business starting from the second quarter of the Year. Seminar and other promotion activities were organised by marketing consultancy company in the PRC small scaled workshops were held in its office while large scaled seminar were held in various locations in Guauzhou region of the PRC. However, being hit by the social unrest in Hong Kong, the marketing strategy adopted by the Group did not pay off. Even though some potential clients were interested in trading in futures, stock options and securities, only a few of them came to our office in Hong Kong to complete the account opening procedures. The marketing efforts made during the Year could not convert to our revenue or new clients during the Year. The management will assess the effectiveness of the marketing plan regularly and revise the marketing plan if necessary to increase the return of the shareholders of the Company.

(b) Trade-related expenses (accounts for approximately 17.7% 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 fees for the trading software provider) were approximately HK\$5.2 million, which represents a decrease of approximately 41.0% compared to approximately HK\$8.7 million recorded in the Prior Year. As most of these expenses are directly proportional to transactions executed through the Group, the decrease in trade volume in the Year leads to the decrease in trade-related expenses.

(c) Rental expenses (accounts for approximately 9.7% of G&A expenses)

The rental expenses increased slightly from HK\$2.6 million in the Prior Year to HK\$2.8 million in the Year. The Group has entered into new rental contracts with higher rental charges during the Year, leading to an increase in rental expenses recorded in the Year.

(d) Legal, professional and audit fee (accounts for approximately 10.2% of G&A expenses)

In the Year, the legal, professional and audit fee were approximately HK\$3.0 million, which increased slightly by approximately 1.7% compared to the Prior Year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Income tax credit/(expenses)

In the Year, the Group incurred HK\$1.8 million of tax credit, compared with tax expenses of HK\$4.5 million for the Prior Year. It was driven by the recognition of deferred tax assets from the tax loss of the Group during the Year.

Accounts receivable arising from ordinary course of business

The accounts receivables decreased sharply from approximately HK\$75.4 million as at 31 December 2018 to approximately HK\$34.4 million as at 31 December 2019. The balance of accounts receivables are mainly placed in the clearing houses and overseas brokers, and the margin loan being provided to our margin clients. Such decrease in accounts receivables was mainly attributable to the decrease in the number of open positions of future contracts held by the Group as at 31 December 2019 compared to 31 December 2018, being partly offset by the increase in margin loan provided to our clients after the margin financing business commenced in the Year. Less funds were needed to be placed in the overseas brokers to be acted as cushions to avoid position liquidation if there was any adverse market movement.

The Group assesses the counterparty risk of the clearing houses and overseas brokers on a regular basis and the management considered that such risk is very low. For the margin loan provided to our clients, as the balance is fully covered by the collateral provided by these clients, the management considered that the recovery risk of these balances is 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\$44.6 million as at 31 December 2019, compared to the net current assets of approximately HK\$73.7 million as at 31 December 2018. Such decrease was mainly due to (i) the loss recognised in the Year, (ii) dividends paid during the Year. As at 31 December 2019, the Group had cash and cash equivalent of approximately HK\$38.0 million.

Capital structure

For the year ended 31 December 2019, the capital structure of the Group consisted of cash and cash equivalent 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 2019 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 22.5% and 61.6% of the Group's total revenue for the Year, respectively. Among the 5 largest customers, they averagely have approximately 5.2 years of relationship with the Group, ranging from 2 to 17 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 and the margin loans to clients. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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 2019, 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 its development in Qianhai office as the economic situation of China is unclear. The Group has engaged an investment consulting firm to 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 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. However, as the trading volume of stock options and securities were below the expectation from the management. The Group has delayed the second phase enhancement of the IT capability until the situation improve.
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 and adoption of new accounting system to enhance the efficiency and internal control. In the view of unclear economic situation, the management has slowed down the recruitment process.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS

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 all listing expenses in connection therewith, were approximately HK\$46.5 million. The utilization of net proceeds as at 31 December 2019 is set out below:

	Total planned amount to be used HK\$' million	Actual amount utilised up to 31 December 2019 HK\$' million	Actual balance as at 31 December 2019 HK\$' million
Strengthen the Group's position in the futures market by enhancing the marketing resources in the PRC	20.7	14.1 (Note 1)	6.6
Establish and commence the stock and stock options business	13.2	13.2 (Note 2)	–
Enhance the IT capability of the Group	6.8	2.5	4.3
Expand the manpower for providing more customised client services and to strengthen the compliance and operational and accounting capabilities	5.8	1.0	4.8
	<u>46.5</u>	<u>30.8</u>	<u>15.7</u>

Note:

- 1) Includes HK\$3.0 million deposits paid to vendor on the IT infrastructure in Qianhai office and marketing expenses incurred up to 31 December 2019.
- 2) Includes HK\$9.0 million working capital for providing securities margin financing to the customers.

The difference of approximately HK\$15.7 million between the planned use of proceeds of approximately HK\$46.5 million and the actual amount utilised up to 31 December 2019 of approximately HK\$30.8 million was mainly due to the fact that we have delayed the development of Qianhai office, expansion of manpower and enhancement of IT infrastructure as the economic situation in Hong Kong and China is unclear in second half of 2019. The management will continue the development and expansion in coming year after the business of the Group recovers.

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.

Throughout the year ended 31 December 2019, 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 during the year ended 31 December 2019.

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.

CORPORATE GOVERNANCE REPORT (continued)

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, Chairman of the Nomination Committee and member of the Risk Management Committee*)

Mr. Chan Ying Leung

Ms. Lee Mei Chun (*Member of the Risk Management Committee*)

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, M.H. (*Chairman of the Risk Management Committee, and 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

During the year ended 31 December 2019, 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.

CORPORATE GOVERNANCE REPORT (continued)

Appointment and Re-election of Directors

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

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

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

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

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.

CORPORATE GOVERNANCE REPORT (continued)

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 during the year ended 31 December 2019:

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

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established four committees, namely, the audit committee, remuneration committee, nomination committee and risk management 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 respectively and are available to the Shareholders upon request.

All or the majority of the members of the Board committees, except for the risk management committee, 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.

CORPORATE GOVERNANCE REPORT (continued)

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-yea and Mr. Siu Miu Man, M.H. (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.

During the year ended 31 December 2019, the Audit Committee held five 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 2018, the Group's quarterly financial results and report for the three months ended 31 March 2019 and nine months ended 30 September 2019 respectively, and the Group's interim financial results and report for the six months ended 30 June 2019 before submission to the Board for approval.

The Audit Committee also met with the external auditors three times during the year ended 31 December 2019.

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-yea, Mr. Chin Kam Cheung and Mr. Siu Miu Man, M.H.. Mr. Ang Wayne Wu-yea 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.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review and recommend the remuneration of directors and senior management, and to recommend the 2019 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-yea and Mr. Siu Miu Man, M.H.. Mr. Poon Kwok Wah Allan has been appointed as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT (continued)

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Company's board diversity policy (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.

During the year ended 31 December 2019, 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.

Risk Management Committee

The Company established the risk management committee (the "**Risk Management Committee**") on 26 March 2020 with written terms of reference in compliance with the CG Code. The principal duties of the Risk Management Committee include assisting the Board in overseeing the risk management and internal control systems, and monitoring the establishment and reviewing of the overall risk management policies and procedures of the Group.

The Risk Management Committee comprises two executive Directors, Mr. Poon Kwok Wah Allan and Ms. Lee Mei Chun, and one independent non-executive Director, Mr. Siu Miu Man, M.H. Mr. Siu Miu Man, M.H. has been appointed as the chairman of the Risk Management Committee.

The Risk Management Committee shall report to the Board at regular intervals on the matters it has reviewed, make recommendations when requested or when the chairman of the Committee considers appropriate.

Board Diversity Policy

The Company has adopted the Board Diversity Policy on 19 December 2017 and subsequently revised by a Board resolution passed on 28 December 2018, which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT (continued)

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee. The Company has adopted a director nomination policy (the “**Director Nomination Policy**”) which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity aspects under the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service and industry and regional experience;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2019, there was no change in the composition of the Board.

The Nomination Committee will conduct regular review on the Director Nomination Policy, as appropriate, to ensure its effectiveness.

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

The remuneration bands of the members of senior management who are not Directors of the Company for the year ended 31 December 2019 are as follows:

Remuneration bands	Number of Individuals
HK\$ Nil to HK\$1,000,000	6

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 during the year ended 31 December 2019 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	5/5	1/1	N/A	0/1
Mr. Ang Wayne Wu-yee	4/4	5/5	1/1	1/1	1/1
Mr. Siu Miu Man, M.H.	4/4	5/5	1/1	1/1	1/1

Four regular Board meetings were held during the year ended 31 December 2019.

Code provision A.2.7 of the CG Code has been revised to require that the chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other Directors. Arrangements have been made for compliance with the revised code provision which took effect from 1 January 2019. Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2019.

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 2019. These risks are set out under "Risk Management" in the section headed "Management Discussion and Analysis" of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

During the year ended 31 December 2019, the Board, as supported by the Audit Committee, the compliance officers and the independent internal control consultant providing the internal audit function, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

Save as disclosed in Note 29 to the consolidated financial statements 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 38 to 42 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 2019, 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:	
2019 annual audit	390,000
2019 statutory audit for a subsidiary of the Company	300,000
Non-audit services:	
Review of interim financial information	300,000

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 2019, he has taken no less than 15 hours of relevant professional training.

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

CORPORATE GOVERNANCE REPORT (continued)

SHAREHOLDERS' RIGHTS

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

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 during the year ended 31 December 2019. 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 dividend policy (the "**Dividend Policy**") on payment of dividends which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to the Shareholders. The Company do not have any pre-determined dividend payout ratio. According to the Dividend Policy, the Board has the discretion to declare and distribute dividends to the Shareholders subject to the Articles and all applicable laws and regulations and taking into account the relevant factors of the Company and its subsidiaries, including but not limited to financial results, cash flow situation, business conditions and strategies, interests of Shareholders and any other factors that the Board may consider relevant. The Board may propose and/or declare interim, final or special dividends and any distribution of net profits that the Board may deem appropriate, and while doing so, the Board should ensure that the Company maintains adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. Any final dividend for a financial year will be subject to the Shareholders' approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Excalibur Global Financial Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) provide brokerage services in Hong Kong which provides clients with access to locally and globally traded futures and options products and securities and stock option being traded Hong Kong market. This is the third Environmental, Social and Governance Report (the “**ESG Report**” or the “**Report**”) presented by the Company covers a reporting period from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”). The ESG report presents the Group’s sustainability approach and performance in the environmental and social aspects of its business in the Year.

FRAMEWORK AND SCOPE

The ESG report has been prepared in compliance with the requirement under Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Board of Directors (the “**Board**”) bears the responsibility of leading the Group’s sustainability development, as well as evaluating the related risks and opportunities. The Board also delegates authority to the management for setting out the policies to retain sustainability by considering the stakeholders including investors and shareholders, directors, clients and employees.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group believes that comments and feedback from the stakeholders are highly valued. Therefore, the Group has established different communication channels for stakeholders to express their views on the Group’s sustainability performance and future strategies. By understanding their needs and opinions, the Group could have better evaluation, response and improvement on the ESG strategies and performance.

Stakeholders	Expectations and Needs	Engagement Channels
Investors and Shareholders	<ul style="list-style-type: none"> • Business strategies and sustainability • Financial performance • Corporate governance 	<ul style="list-style-type: none"> • General meetings • Circular and announcements • Mail, email and telephone communication • Company website
Clients	<ul style="list-style-type: none"> • Service quality and reliability • Service effectiveness and stabilities • Information security • Business ethics 	<ul style="list-style-type: none"> • Mail, email and telephone communication • Business meetings
Employees	<ul style="list-style-type: none"> • Protection of rights • Occupational health • Remunerations and benefits • Training and development 	<ul style="list-style-type: none"> • Employee handbook • Procedure manual • Training and seminar
Business partners	<ul style="list-style-type: none"> • Fair competition • Fulfillment of promises • Payment schedule 	<ul style="list-style-type: none"> • Business meetings • Engagement and cooperation
Government and Regulatory Authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations • Co-operation with enquiries 	<ul style="list-style-type: none"> • Statutory filings and notification • Reporting
Community	<ul style="list-style-type: none"> • Participation in charity • Information transparency 	<ul style="list-style-type: none"> • Donation • Company website and announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

ENVIRONMENTAL

Emissions

The Group strictly complies with the relevant environmental laws and regulations in Hong Kong and setup various policies to reduce the energy consumption and emissions. During the Reporting Period, the Group's major part in the greenhouse gases emission comes from electricity consumption. Since the Group is a service provider which only involved daily office operations, the Group does not generate any significant hazardous waste to the environment. The Group also encourages employees to use public transportation instead of private vehicles and does not provide any company vehicles in order to minimize the air pollution.

Emission Sources	CO ₂ e Emission (in tones)	Total Emission (in percentage)
Scope 1 Direct emissions	–	–
Scope 2 Indirect emissions		
– Purchased electricity	65	11%
Scope 3 Other indirect emissions		
– Paper consumption	504	89%

During the Reporting Period, the Group generated 569 tones of carbon dioxide equivalent emission, including carbon dioxide, methane and nitrous oxide etc., from its operations.

USE OF RESOURCES

Electricity

During the Reporting Period, the Group consumed 82,778 units of electricity and save more than 15% compared to the previous Reporting Period. The electricity of the Group mainly consumed by lightings, computing and air-conditioning. Since the major greenhouse gases emission is generated from the use of electricity, the Group has set out some measures to minimize waste of energy and maximize energy efficiency. The Group encourages all employees to switch their computers, lights, and other office equipments to power saving mode or switch them off when not in use or leaving the site. We also recommend employees to set the room temperature to 25-28°C in order to save more energy on the air-conditioning. The Group also monitors and upgrades the electronic equipments continually to make sure the efficiency and the effectiveness.

Water

The Group reminds employees to save water by ensuring the bottles, cans and other vessels are fully emptied before they are washed, and that water taps are turned off when not in use to avoid wastage. As the Group does not has its own toilet and the water consumption records of the office is managed by the management company and the usage fee is included in the management fee, water consumption details are not available for the Group to disclose.

Paper

To minimize the negative impacts bring from deforestation, the Group implements measures to reduce the paper usage and to protect the environment. During the Reporting Period, online application is available for clients to open their account through our website, receiving daily and monthly statement and various notices through email. To create a paperless working environment, the Group adopts electronic system for record keeping, filing, documentation, and communication. The Group also encourages employees to use double-sided printing, recycle paper and recycle envelopes whenever possible. During the Reporting Period, the Group has printed approximately 156,904 pages from our printers (2.5% less than the previous reporting period) and we have ordered approximately 105,000 sheets of paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

ENVIRONMENT AND NATURAL RESOURCES

Waste Management

It is not an easy task for the Group to achieve sustainable improvements to the environment. This year, the Group still sticks to the 5Rs concept of environment preservation (Reduce, Recycle, Reuse, Repair and Refuse) to improve sustainability in daily operation. To reduce the wastes produced and cause less harm to the environment, used printing cartridges and toners will be collected by the supplier for recycling. Also, the Group encourages employees to use both side of the paper and to sort recycled wastes into recycling bins which placed at the lobby of the building.

SOCIAL

Employment

Building and maintaining a reliable and long-term relationship with employees are crucial for the Group's operation and development. The remuneration packages are set according to the employees' qualifications, experience and performance. The Group will review the remuneration packages yearly and maintain a competitive level. Employees are also entitled to medical and term life insurance, five-day work week arrangement, medical allowance and paid leaves etc. To create a more comfortable working environment, employees are allowed to dress down on Fridays and before public holidays. Details are set out in the employee handbook to ensure all employees understand their rights and responsibilities. During the Reporting Period, the male/female composition ratio of the Group is about 2:1 and the age group from twenties to middle age. Equal opportunities are given to all employees in a fairness principle. The Group strictly abides by the laws and regulations in relation to employment matters, including the Employment Ordinance of Hong Kong.

Health and Safety

The Group pays great attention to the employees' health and safety. Workplace should be kept clean and tidy. Anti-viral masks are provided to employees to prevent infectious disease. Office is cleaned and disinfected regularly and antiseptic products such as isopropyl alcohol and hand sanitizer are provided to employees to use if necessary. During the Reporting Period, the Group is in compliance with the Occupational Safety and Health Ordinance in Hong Kong and did not record any work-related fatality or injury.

Development and Training

The Group regards its employees as the most valuable asset and resources of the Group. The Group encourages and subsidizes employees for continuous development and provides comprehensive training programs for self-improvement, including on-the-job training and seminar. The Group also encourages and subsidizes employees participate qualification examinations for securities and futures practitioners and to undertake sufficient continuous professional training. Anti-money Laundering training will be held annually to update the employees on the latest policy and regulations, the risk of anti-money laundering and for any suspicious activities.

Labor Standards

During the Reporting Period, the Group has strictly complied with all applicable laws and regulations. Recruitment practices are set according to the Employment Ordinance in Hong Kong to prohibit child labor and forced labor. Personal data and background information will be collected and verified in detail for selecting suitable candidates and preventing illegal workers, child labor and forced labor. There was no violation of human resources related laws and regulations during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

OPERATING PRACTICE

Supply Chain Management

Maintaining long-term and reliable relationship with suppliers is one of the Group's principles. The Group will collect, compare and evaluate quotations from different suppliers according to the product quality, price, stability, environmental protection and social responsibility, reputation, and service quality, including after sales service. Relevant employees will review the performance and communicate with suppliers regularly to ensure the suppliers meet our needs and make improvement.

PRODUCT RESPONSIBILITY

Quality Management

The Group puts service quality as its first priority and strives to provide a nice trading experience to our clients. All of our accounts executives are well trained and qualified to provide professional and high quality services to our clients. To ensure the clients can trade fast and stable, our network and systems will be tested and reviewed from time to time. Clients can reach us through our 24 hours hotline if they have any questions or problems when making trade. Complaints received from clients will be dealt with his/her personal account executive and related department rapidly and impartially. All cases will be investigated and kept confidential to protect the client's privacy.

Law and Regulations

All licenses and qualifications required by the regulatory authorities, including the Securities and Futures Commission (the "SFC"), are obtained for the Group's operation. Compliance department is responsible for ensuring that the business operations comply with laws and regulations. Updates on relevant rules, relations, procedures and laws will be circulated and signed by all employees. During the Reporting Period, there was no violation of relevant laws and regulations.

Data Privacy

The Group is committed to protect and secure the privacy and personal data of all the stakeholders. The Group complies with the Data Protection Principles in the Personal Data (Privacy) Ordinance to prevent misuse and leakage of the personal data. Employees are prohibited to share or sell the personal data with any unauthorized third parties and only collect and use the information in a responsible and non-discriminatory manner. To prevent leakage of the personal data, the Group maintains and enhances the physical and electronic systems regularly. During the Reporting Period, there were no issues occurred concerning any losses of data.

Anti-corruption/Anti-money Laundering

The Company believes in fairness and honesty in business dealings and strives to maintain a system with moral integrity and an anti-corruption mechanism. The Group strictly complies with all anti-money laundering and counter-terrorist financing laws, regulations and guidelines in Hong Kong, such as the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. Policy has been in place for effective prohibition on commercial bribes, corruption and money laundering. Employees are encouraged to report any improper behaviors, misconduct or malpractice to the designated personnel. All the disclosed information will be kept confidentially and the Group will investigate the improper behaviors and take corresponding measures promptly. During the Reporting Period, there were no legal cases regarding corrupt and money laundering practices.

Community Investment

Contributing to society is a part of the Group's sustainable development strategy. The Group has been supporting Ten Percent Donation Scheme Foundation for years to support children to leave poverty through education. During the Reporting Period, the Group was awarded as the crystal sponsor of the 2019 Chinachem Run for Brightness, a charity run organized by the Hong Kong Blind Sports Federation, to promote and support the public awareness of the importance of sports development for the visually impaired athlete. The Group also encourages employees to participate in various volunteer activities and community activities, such as blood donation.

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 2019 (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 paragraphs 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 by 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 the consolidated financial statements on pages 43 to 81.

DIVIDENDS

The Board of the Company does not recommend the payment of a final dividend for the Year (2018: Nil).

DIRECTORS' REPORT (continued)

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

The forthcoming AGM of the Company will be held on Thursday, 11 June 2020 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, 5 June 2020 to Thursday, 11 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 June 2020.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group are shown on page 65 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 2019, 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\$24,349,000 (2018: HK\$36,437,000).

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 22.5% and 61.6% 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 during the Year 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, M.H.

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, Mr. Poon Kwok Wah Allan and Mr. Chin Kam Cheung, 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 Year 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 Year. 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 for the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, 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 Year.

MANAGEMENT CONTRACTS

During the Year, 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 2019, 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, the 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 the 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 31 December 2019, 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 2019, 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, the 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 the 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 31 December 2019, 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 or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

DIRECTORS' REPORT (continued)

RELATED PARTY TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under Rule 11.23(7) of the GEM Listing Rules during the year ended 31 December 2019 and up to the date of this annual report.

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 2019.

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 24 of this annual report.

ENVIRONMENTAL POLICY

Environmental policy is set out in the "Environmental, Social and Governance Report" section on pages 25 to 28 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 82 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 29 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

REVENUE FROM RELATED PERSONS

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

	Revenue in 2019 HK\$'000
Mr. Chan Ying Leung (Note 1)	Nil
Self-employed Accounts Executive ("AE") (own accounts) (Note 2)	4
Self-employed AE (sub-accounts) (Note 2)	220
Staff dealing (Note 2)	Nil
Mr. Lui Shing Yiu, Dominic (Note 3)	100
Mr. Lin Ke (Note 3)	Nil
Mr. Lau Kwok Ming, Farther (Note 4)	Nil

Note:

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chin Kam Cheung (chairman of the Audit Committee), Mr. Ang Wayne Wu-yee and Mr. Siu Miu Man, M.H.. 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 2019.

AUDITORS

The Company has not changed its external auditor during the Year and 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

26 March 2020, 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 43 to 81, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

Revenue recognition – Brokerage commission income

Refer to note 3 to the consolidated financial statements and the accounting policies on page 57.

The Key Audit Matter

Brokerage commission income represented 98% of the total income of the Group for the year ended 31 December 2019.

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, on a sample basis, 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.

Certified Public Accountants

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

26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	3	18,919	50,736
Other net loss	4	(182)	(236)
Salaries and other benefits	5(a)	(7,987)	(6,950)
Other operating and administrative expenses	5(b)	(29,066)	(18,240)
Listing expenses		–	(1,337)
(Loss)/profit before tax		(18,316)	23,973
Income tax credit/(expense)	8	1,781	(4,490)
(Loss)/profit for the year and total comprehensive (loss)/income for the year		(16,535)	19,483
Attributable to:			
Equity shareholders of the Company		(16,535)	19,483
Total comprehensive (loss)/income for the year		(16,535)	19,483
(Loss)/earnings per share			
Basic and diluted (cents)	9	(2.07)	2.46

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

The notes on pages 47 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property and equipment	10	1,014	1,089
Right-of-use assets		75	–
Intangible assets	11	1,030	480
Statutory deposits	12	5,024	3,500
Deferred tax assets		1,732	–
		8,875	5,069
Current assets			
Accounts receivable arising from ordinary course of business	14	34,373	75,417
Other assets	15	4,983	6,374
Amounts due from a related party	17	6	6
Financial assets at fair value through profit or loss	18	14	31
Cash and cash equivalents	16(a)	37,973	30,251
		77,349	112,079
Current liabilities			
Accounts payables arising from ordinary course of business	19	29,209	33,877
Other payables and accruals	20	1,545	1,865
Lease liabilities	23	30	–
Current tax liabilities	21	1,994	2,672
		32,778	38,414
Net current assets			
		44,571	73,665
Non-current liabilities			
Lease liabilities	23	47	–
		47	–
NET ASSETS			
		53,399	78,734
CAPITAL AND RESERVES			
Share capital	22(b)	8,000	8,000
Share premium		68,009	68,009
(Accumulated losses)/retained earnings		(19,811)	5,524
Other reserves		(2,799)	(2,799)
TOTAL EQUITY			
		53,399	78,734

Approved and authorized for issue by the board of directors on 26 March 2020.

Poon Kwok Wah, Allan

Directors

Chan Ying Leung

The notes on pages 47 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Group							
	Share capital (Note 22(b))	Share premium	Retained earnings/ (accumulated losses)	Other reserves	Total	Non- controlling interest	Total equity	
	Note HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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		2,000	68,009	–	–	70,009	–	70,009
Dividends declared in respect of the current year	22(e)	–	–	(24,000)	–	(24,000)	–	(24,000)
Balance at 31 December 2018 and 1 January 2019		8,000	68,009	5,524	(2,799)	78,734	–	78,734
Changes in equity for 2019:								
Loss for the year and total comprehensive loss for the year		–	–	(16,535)	–	(16,535)	–	(16,535)
Dividends declared in respect of the current year	22(e)	–	–	(8,800)	–	(8,800)	–	(8,800)
Balance at 31 December 2019		8,000	68,009	(19,811)	(2,799)	53,399	–	53,399

The notes on pages 47 to 81 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 HK\$'000
Operating activities			
Cash generated from/(used in) operations	16(b)	17,731	(30,405)
Income tax paid		(629)	(1,580)
Net cash generated from/(used in) operating activities		17,102	(31,985)
Investing activities			
Interest received		41	66
Purchases of property and equipment	10	(507)	(1,177)
Net cash used in investing activities		(466)	(1,111)
Financing activities			
Issuance of shares		–	80,000
Dividend paid	22(e)	(8,800)	(24,000)
Payment for listing expenses		–	(5,521)
Capital element of lease rentals paid		(28)	–
Net cash (used in)/generated from financing activities		(8,828)	50,479
Net increase in cash and cash equivalents		7,808	17,383
Cash and cash equivalents at 1 January		30,251	12,964
Effects of foreign exchange rate changes		(86)	(96)
Cash and cash equivalents at 31 December	16(a)	37,973	30,251

The notes on pages 47 to 81 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 and its subsidiaries (together, “**the Group**”) mainly provide brokerage services for futures, securities and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom. The Group commenced the stock options and security broking and margin financing business since February 2019.

The Group has established two subsidiaries, Excalibur Finance Limited and Shenzhen Qianhai Excalibur Investment Consulting Limited in 2018. There is no actual business operation of the two subsidiaries during the year ended 31 December 2019.

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 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 HKFRSs, 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 2019 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 designated 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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)

HKFRS 16, *Leases* (continued)

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

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are primarily in relation to equipments.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.125%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

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)

HKFRS 16, Leases (continued)

b. Lessee accounting and transitional impact (continued)

- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 HK\$'000
Operating lease commitments at 31 December 2018	1,722
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,607)
	115
Less: total future interest expenses	(10)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	105

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The below summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position on 1 January 2019:

- Increased right-of-use assets by HK\$105,000
- Increased lease liabilities (current) by HK\$28,000
- Increased lease liabilities (non-current) by HK\$77,000

There is no net impact on retained earnings on 1 January 2019.

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

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

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

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

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

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

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

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

(e) Intangible assets

The trading rights held in the Hong Kong Futures Exchange Limited ("HKFE") and The Stock Exchange of Hong Kong Limited ("SEHK") are recognised as intangible assets on the statement of financial position. They are stated at cost less impairment losses. The trading rights are considered to have an indefinite useful life. The conclusion that the trading rights have an indefinite useful life is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for those assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in equity securities

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

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 24(f). 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 quoted market 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.

(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)(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment

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

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

– Leasehold improvements	Over the lease terms
– Computer equipment	33.33%
– Fixtures and furniture	20%
– Office equipment	20%

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

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

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

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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, other assets and amounts due from a related party).

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.

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)

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.

Loss allowances for accounts receivables and other receivables 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 asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset 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;
- an actual or expected significant deterioration in a financial asset's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial assets, 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 assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial asset'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 assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(o) 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 and lease receivables 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)

(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.

(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 Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i)(i).

(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 periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax (continued)

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.

(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.

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

(ii) Retirement benefits

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

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

(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:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the group are primarily laptops and office furniture. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the group were classified as operating leases.

Where the group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the group would obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses were accounted for in accordance with the accounting policy as set out in note 2(i)(ii). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

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

(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;

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: (continued)
- (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, stock options and securities broking and margin financing business.

Revenue represents the brokerage commission from futures and options, stock options and securities broking, also interest income arising from margin loan financing.

	2019 HK\$'000	2018 HK\$'000
Brokerage commission income derived from:		
Futures and options trading business		
– Hong Kong market	7,180	10,810
– Overseas markets	11,204	39,926
Stock options trading business	106	–
Securities trading business	40	–
Interest income derived from margin financing	389	–
	18,919	50,736

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET LOSS

	2019 HK\$'000	2018 HK\$'000
Interest income	41	66
Exchange loss, net	(295)	(386)
Loss on financial assets at fair value through profit or loss	(17)	(23)
Sundry income	89	93
Reversal of provision of bad debt	–	14
	(182)	(236)

5 (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging:

	2019 HK\$'000	2018 HK\$'000
(a) Staff costs		
Salaries and allowances	7,646	6,655
Staff welfares	44	39
Retirement scheme contributions	297	256
	7,987	6,950

	2019 HK\$'000	2018 HK\$'000
(b) Other operating and administrative expenses		
Marketing expenses	11,110	36
IT and communication expenses	5,711	7,163
Rental expenses	2,829	2,600
Legal and professional fees	1,978	1,968
Commission expenses	1,712	3,149
Auditors' remuneration	995	955
Depreciation of property and equipment	582	225
Amortization of right-to-use assets	30	–
Finance costs	5	–
Other expenses	4,114	2,144
	29,066	18,240

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	2019				
	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	720	–	30	990
Chan Ying Leung	120	360	–	24	504
Lee Mei Chun	120	533	–	24	677
Chin Kam Cheung	120	–	–	–	120
Ang Wayne Wu-yee	120	–	–	–	120
Siu Miu Man	120	–	–	–	120
Total	840	1,613	–	78	2,531

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

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 2019, the five individuals with the highest emoluments included two directors (2018: three) whose emoluments are disclosed in note 6. The aggregate of the emoluments to the remaining three (2018: two) individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowance and benefits in kind	1,762	1,294
Retirement scheme contributions	108	36
	1,870	1,330

The number of these remaining three (2018: two) individuals whose remuneration fell within in the following band is set out below:

	2019 Number of individuals	2018 Number of individuals
HKD Nil to HKD1,000,000	3	2

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 2019.

8 INCOME TAX CREDIT/(EXPENSE)

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

	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong Profits Tax credit/(expense)	–	(4,559)
Overprovision in respect of prior year	49	69
	49	(4,490)
Deferred tax movement		
Accelerated tax depreciation allowances	(27)	–
Tax losses	1,759	–
	1,732	–
Total income tax credit/(expense)	1,781	(4,490)

The provision for Hong Kong Profits Tax for year ended 31 December 2018 was 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX CREDIT/(EXPENSE) (continued)

(b) Reconciliation between tax credit/(expense) and accounting profit at applicable tax rates:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before tax	(18,316)	23,973
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	(3,022)	3,625
Tax effect of temporary differences	–	(160)
Tax effect on non-deductible expenses	1,259	902
Tax effect on non-taxable income	(2)	–
Over-provision in prior year	(49)	(69)
Others	33	27
Actual tax (credit)/expense	(1,781)	4,490

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 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the financial year is based on the (loss)/profit attributable to equity shareholders of the Company for the year ended 31 December 2019 of HK\$16,535,000 (2018: profit of HK\$19,483,000), and the weighted average number of shares in issue during the year ended 31 December 2019 of 800,000,000 (2018: 793,424,658). No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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 2019	676	64	5,658	1,386	7,784
Additions	–	–	507	–	507
At 31 December 2019	676	64	6,165	1,386	8,291
Accumulated depreciations:					
At 1 January 2019	(676)	(39)	(4,621)	(1,359)	(6,695)
Charge for the year	–	(7)	(563)	(12)	(582)
At 31 December 2019	(676)	(46)	(5,184)	(1,371)	(7,277)
Net carrying values:					
At 31 December 2019	–	18	981	15	1,014
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSETS

	2019 HK\$'000	2018 HK\$'000
HKFE trading right	480	480
The Stock Exchange trading right	550	–
	1,030	480

12 STATUTORY DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Deposits with		
– HKFE Clearing Corporation Limited (HKCC)	3,500	3,500
– SEHK Options Clearing House Limited (SEOCH)	1,524	–
	5,024	3,500

13 INVESTMENT IN SUBSIDIARIES

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

Name of company	Place of incorporation and business	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
* Excalibur Global Financial Group Ltd	British Virgin Islands	US\$2	100%	–	Investment holding
* New Century Excalibur Holdings Ltd	Hong Kong	HK\$20,780,000	–	100%	Investment holding
Excalibur Global Financial Group Ltd 駿溢環球金融集團有限公司	Hong Kong	HK\$12 million	–	100%	Futures brokerage business
* 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	RMB5 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 0.09% 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 THE ORDINARY COURSE OF BUSINESS

	2019 HK\$'000	2018 HK\$'000
Accounts receivable		
– Cash clients	54	–
– Clearing houses	5,549	4,737
– Margin clients	3,844	–
– Overseas brokers	24,926	70,680
	34,373	75,417

Aging analysis

The normal settlement terms of accounts receivable from cash clients, clearing houses, margin clients 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:

	2019 HK\$'000	2018 HK\$'000
Current (not pass due)	34,373	75,417
	34,373	75,417

15 OTHER ASSETS

	2019 HK\$'000	2018 HK\$'000
Prepayments	698	3,883
Rental and other deposits	4,270	2,476
Other receivables	15	15
	4,983	6,374

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2019 HK\$'000	2018 HK\$'000
Cash at banks and on hand	37,973	30,251

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\$74,178,000 as at 31 December 2019 (2018: HK\$65,323,000).

(b) Reconciliation of profit before taxation to net cash used in operating activities:

	Note	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before tax		(18,316)	23,973
Adjustments for:			
Interest income	4	(41)	(66)
Loss on changes in fair value of financial assets at fair value through profit or loss	4	17	23
Depreciation	10	582	225
Amortization of right-of-use assets	5(b)	30	–
Reversal of provision of bad debt	4	–	(14)
Unrealised foreign exchange losses	4	295	386
Changes in working capital:			
Increase in statutory deposits		(1,524)	(1,777)
Decrease/(increase) in accounts receivable arising from ordinary course of business of trading in futures contracts and options		40,953	(63,513)
Increase in intangible asset		(550)	–
Decrease/(increase) in prepayment, deposits and other receivables		1,391	(5,440)
Increase in amounts due from a related party		–	(6)
(Decrease)/increase in account payables arising from ordinary course of business of trading in futures contracts and options		(4,786)	23,182
Decrease in other payables and accruals		(320)	(7,378)
Cash generated from/(used in) operations		17,731	(30,405)

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 AMOUNTS DUE FROM A RELATED PARTY

	2019 HK\$'000	2018 HK\$'000
Future Concept Limited	6	6
	6	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

	2019 HK\$'000	2018 HK\$'000
Equity securities listed in Hong Kong	14	31

The fair values of the above listed securities were determined basing on the quoted market prices available on SEHK.

19 ACCOUNTS PAYABLE ARISING FROM ORDINARY COURSE OF BUSINESS

	2019 HK\$'000	2018 HK\$'000
Accounts payable – Cash clients	29,209	33,877

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

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:

	2019 HK\$'000	2018 HK\$'000
Provision for Hong Kong Profits tax	1,994	2,672

22 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Authorised share capital

The authorised ordinary share capital of the Company at 31 December 2019 and 2018 was HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each.

(b) Issued and capital

A summary of movements of issued share capital of the Company during the reporting period are as follows:

	No. of shares '000	Share capital HK\$'000
Ordinary shares, issued and fully paid		
At 1 January 2018	600,000	6,000
Issuance of shares (Note)	200,000	2,000
At 31 December 2018, 1 January 2019 and 31 December 2019	800,000	8,000

Note:

The Company issued 200,000,000 shares for its listing on the Stock Exchange of Hong Kong during the year ended 31 December 2018.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 SHARE CAPITAL AND RESERVES (continued)

(d) Other reserve

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

On 12 October 2017, the Group further acquired the 4.00002% of New Century. 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

- (i) Dividends payable to equity shareholders of the Company attribution to the year.

	2019 HK\$'000	2018 HK\$'000
Interim dividend declared, approved and paid during the year, of HK0.1 cent per share (2018: HK1 cent per share)	800	8,000
Second interim dividend declared, approved and paid during the year, of HKD nil per share (2018: HK1 cent per share)	–	8,000
Third interim dividend declared, approved and paid during the year, of HKD nil per share (2018: HK1 cent per share)	–	8,000
	800	24,000

- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the year:

	31 December	
	2019 HK\$'000	2018 HK\$'000
Fourth interim dividend declared and approved in respect of the previous financial year, and paid during the year, of HK1 cent per share (2018: HKD nil)	8,000	–
	8,000	–

(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 2019 amounted to HK\$53,399,000 (2018: HK\$78,734,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 SHARE CAPITAL AND RESERVES (continued)

(f) Capital management (continued)

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 years ended 31 December 2019 and 2018.

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	30	32	32	32	-	-
After 1 year but within 2 years	30	32	30	32	-	-
After 2 years but within 5 years	17	18	43	51	-	-
After 5 years	47	50	73	83	-	-
	77		105		-	
Less: total future interest expenses		(5)		(10)		-
Present value of lease liabilities		77		105		-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 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 houses, accounts receivable due from clients, clearing houses 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 houses and overseas brokers 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 2019 and 2018:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
At 31 December 2019			
Non-current (not past due)			
Statutory deposits	0.00%	5,024	–
Current (not past due)			
Accounts receivable arising from ordinary course of business	0.00%	34,373	–
Other assets with contractual cash flows	0.00%	4,285	–
Amounts due from a related party	0.00%	6	–
Cash and cash equivalents	0.00%	37,973	–
		81,661	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(a) Credit risk (continued)

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
At 31 December 2018			
Non-current (not past due)			
Statutory deposits	0.00%	3,500	–
Current (not past due)			
Accounts receivable arising from ordinary course of business	0.00%	75,417	–
Other assets with contractual cash flows	0.00%	2,491	–
Amounts due from a related party	0.00%	6	–
Cash and cash equivalents	0.00%	30,251	–
		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.

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

	2019 HK\$'000	2018 HK\$'000
Balance at 1 January	–	14
Amounts written off during the year	–	(14)
Impairment losses recognised during the year	–	–
Balance at 31 December	–	–

(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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(b) Liquidity risk (continued)

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand HK\$'000	Within 12 months HK\$'000	> 12 months HK\$'000
At 31 December 2019					
Account payables arising from ordinary course of business	29,209	29,209	29,209	-	-
Other payables and accruals	1,545	1,545	-	1,545	-
Current tax liabilities	1,994	1,994	1,994	-	-
Lease liabilities	77	77	-	30	47

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand HK\$'000	Within 12 months HK\$'000
At 31 December 2018				
Accounts payable arising from ordinary course of business	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	-

(c) Interest rate risk

(i) Interest rate profile

The Group charges interest on its margin clients and cash clients with outstanding loan amounts based on its cost of funding plus a mark-up. Financial assets such as accounts receivables, bank balances and cash deposits with regulatory bodies are primarily interest generating at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

The interest rate profile of the Group at the reporting date is as follows:

	2019 HK\$'000	2018 HK\$'000
Assets		
Statutory deposits	5,024	3,500
Accounts receivables from		
– Margin loans	3,844	-
– Cash clients with outstanding loan amounts	54	-
Cash and cash equivalents	586	1,622
Total	9,508	5,122

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

As at 31 December 2019, if interest rates had been 100 basis points higher with all other variables held constant, the Group's loss before taxation would have decreased by approximately HK\$95,000 (2018: profit before taxation would have increased by HK\$51,000).

The increased/decreased loss before taxation results mainly from lower/higher interest income from statutory deposits with exchanges and clearing houses and margin loans. Other components of equity would not be significantly affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss before taxation that would arise assuming that the change in interest rates had occurred at the reporting dates and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the reporting dates.

(d) Currency risk

The Group's functional currency is Hong Kong dollars ("HKD"). 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 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 (loss)/profit before tax, and (accumulated losses)/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.

	2019			2018		
	Net assets in foreign currency HK\$'000	Appreciation/ (depreciation) in foreign currency %	Effect on loss before tax and accumulated losses 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)	2,969	5 (5)	(148) 148	181	5 (5)	9 (9)
British Pounds (GBP)	3	5 (5)	- -	6	5 (5)	- -
Japanese Yen (JPY)	322	5 (5)	(16) 16	315	5 (5)	16 (16)
Eurodollars (EUR)	961	5 (5)	(48) 48	721	5 (5)	36 (36)

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 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 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 loss for the year ended 31 December 2019 would decrease/increase by HK\$1,000 (2018: profit would increase/decrease by HK\$2,000) 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 2019, the only financial instruments of the Company carried at fair value were listed equity securities of HK\$14,000 (2018: HK\$31,000) 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 2019 and 2018, 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)

25 COMMITMENTS

- (a) Commitment outstanding at 31 December 2019 not provided for in the financial statements

The Group was committed at 31 December 2019 to enter into a lease of 3 years that is not yet commenced, the lease payments under which amounted to HK\$4,401,000 per annum.

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

	2018 HK\$'000
Within 1 year	1,722
	<u>1,722</u>

The Group is the lessee in respect of an office equipment held under leases which was previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognize lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognized as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(c), and the details regarding the Group's future lease payments are disclosed in note 23.

26 MATERIAL RELATED PARTY TRANSACTIONS

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

(b) Financing arrangement

	Notes	Amount owed to the Group As at 31 December		Related interest income Year ended 31 December	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loan to director	(i),(ii)	–	–	–	60

Notes:

- (i) The loan was fully repaid on 28 June 2018, no other borrowing to director and outstanding balance noted as at 31 December 2019 and 2018.
- (ii) Further details of the loan to director of the Group are disclosed in note 31.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, 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)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investment in a subsidiary	–	–
Current assets		
Other assets	307	305
Amounts due from subsidiaries	26,103	29,705
Cash and cash equivalents	1,141	9,639
	27,551	39,649
Current liabilities		
Other payables and accruals	402	412
Amount due to a subsidiary	800	800
	1,202	1,212
Net current assets	26,349	38,437
NET ASSETS	26,349	38,437
CAPITAL AND RESERVE		
Share capital	8,000	8,000
Share premium	68,009	68,009
Accumulated deficit	(43,660)	(31,572)
Other reserve	(6,000)	(6,000)
TOTAL EQUITY	26,349	38,437

Approved and authorised for issue by the board of directors on 26 March 2020.

Poon Kwok Wah, Allan

Directors

Chan Ying Leung

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In 2020, the outbreak of COVID-19 raised the uncertainty towards the business environment and operations of the Group. The Group will closely monitor the impacts and devise the contingency measures accordingly. If necessary, the Group will promptly carry out measures to mitigate the potential impacts. The Group will continue to review the contingency measures and evaluate risk management effectiveness. In view of the rapid spread of COVID-19, it is not appropriate to estimate the potential impacts on the Group's financial performance at present stage due to the possible significant fluctuations.

30 SEGMENT REPORTING

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

31 LOAN TO DIRECTOR

Loan to 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.

There was no loan granted any to directors during the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the years ended 31 December 2016 and 2015 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 2019 had been existence throughout those years.

RESULTS

	Year ended 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	18,919	50,736	32,840	40,776	43,424
(Loss)/profit before tax	(18,316)	23,973	2,114	15,423	22,465
Income tax credit/(expenses)	1,781	(4,490)	(2,692)	(3,635)	(3,547)
(Loss)/profit for the year and total comprehensive (loss)/income for the year	(16,535)	19,483	(578)	11,788	18,918

ASSETS AND LIABILITIES

	As at 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets	8,875	5,069	2,984	2,769	2,106
Current assets	77,349	112,079	26,586	24,179	42,548
Total assets	86,224	117,148	29,570	26,948	44,654
Non-current liabilities	47	–	–	–	–
Current liabilities	32,778	38,414	16,314	13,114	15,244
Total liabilities	32,825	38,414	16,314	13,114	15,244
Net assets	53,399	78,734	13,256	13,834	29,410