Astrum Financial Holdings Limited

阿仕特朗金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8333

2020 Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, for which the directors (the "**Directors**") of Astrum 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.*

This report will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange (www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company (www.astrum-capital.com).

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Kwan Chun Yee Hidulf

Independent Non-executive Directors

Mr. Sum Loong
(appointed on 1 November 2020)
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee
Mr. Chan Chun Hong
(resigned on 1 November 2020)

AUDIT COMMITTEE

Mr. Lau Hon Kee *(Chairman)*
Mr. Sum Loong
Mr. Lee Tak Cheung Vincent

REMUNERATION COMMITTEE

Mr. Sum Loong *(Chairman)*
Mr. Pan Chik
Mr. Kwan Chun Yee Hidulf
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee

NOMINATION COMMITTEE

Mr. Pan Chik *(Chairman)*
Mr. Kwan Chun Yee Hidulf
Mr. Sum Loong
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee

COMPLIANCE OFFICER

Mr. Kwan Chun Yee Hidulf

COMPANY SECRETARY

Mr. Mak Yat Tang Anthony

AUTHORISED REPRESENTATIVES

Mr. Pan Chik
Mr. Kwan Chun Yee Hidulf

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2704, 27/F
Tower 1 Admiralty Centre
18 Harcourt Road
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

LEGAL ADVISER

Lawrence Chan & Co.

COMPANY WEBSITE

www.astrum-capital.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to all shareholders the annual report of Astrum Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020.

In the financial year 2020, the Hong Kong economy has continually been affected by the adverse impacts from China-US's tension and the coronavirus pandemic (the "**COVID-19**"), resulting in negative growth for two consecutive years for the first time on record. The Hong Kong financial market was inevitably affected by the overall economic and political situation. The Hang Seng Index and Hang Seng China Enterprises Index fell by 3.4% and 3.8%, respectively.

2020 was a challenging year for the Group. The Group's performance was vulnerable to various external factors including domestic and global economic environment and COVID-19. In 2020, despite the fact that the revenue of the Group remained stable, commission expenses increased significantly. Therefore, the Group recorded a loss and total comprehensive expense of approximately HK$2.1 million for the year ended 31 December 2020 as compared to the profit and total comprehensive income of approximately HK$12.0 million for the year ended 31 December 2019.

Entering into 2021, while the economy is envisaged to continue to face considerable challenges such as protectionism and trade barriers, the development of the COVID-19 remains as the most critical uncertainty. However, with the epidemic prevention and control work at different levels yielding effects and mass vaccination being carried out in phase as expected, the effectiveness of epidemic control is expected to gradually improve. The management of the Group remains cautiously optimistic about the business development and overall performance in the future. The Group will primarily focus on placing and underwriting services and corporate finance advisory services, while brokerage services and securities and IPO financing services will continue to serve as complementary services to other business of the Group. We will keep reviewing the working capital level on an ongoing basis in order to achieve our objective and at the same time, be mindful of the regulatory reporting and compliance requirements. We will continue to keep abreast of the latest development of the Hong Kong financial market and the update on the regulatory requirements applicable to licensed corporations in Hong Kong. We are also committed to reaching out to the community and fulfilling social responsibilities.

On behalf of the Board, I would like to take this opportunity to thank the shareholders, customers and business partners for their trust in and continuous support to the Group over the years. We will continue to explore new business ventures in the challenging year ahead and strive for the best returns to our shareholders.

PAN CHIK
Chairman and chief executive officer

Hong Kong, 19 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Hong Kong securities market was volatile in 2020. The Hang Seng Index dropped by 3.4% from last year end to 27,231 as at 31 December 2020. The financial market has been troubled by China-US's tension and the COVID-19 pandemic. Hong Kong economy recorded negative growth for two consecutive years for the first time on record. Despite the recent fluctuating financial market, the Hong Kong IPO market has shown strong resilience and vitality, ranking second globally in terms of total proceeds in 2020. The trend of secondary listings has highlighted Hong Kong's solid fundamentals and its importance as an international capital-raising venue with a growing ecosystem for innovation and new economy companies. In 2020, the number of new listed companies decreased by 15.8% to 154 but the fund raising size surged by 26.5% to HK$397.5 billion. The following sets out the market statistics relation to the business of the Group:

	2019	**2020**	Change
Average daily turnover of Hong Kong securities market	HK$87.2 billion	**HK$129.5 billion**	+48.5%
Hang Seng Index	28,190	**27,231**	-3.4%
Initial public offering ("**IPO**")			
– Number of newly listed companies (including the number of transfer of listing from GEM to Main Board)	183	**154**	-15.8%
– Total fund raised	HK$314.2 billion	**HK$397.5 billion**	+26.5%
Placing			
– Number of transactions	180	**275**	+52.8%
– Total fund raised	HK$98.9 billion	**HK$290.7 billion**	+193.9%
Rights issue and open offers			
– Number of transactions	23	**45**	+95.7%
– Total fund raised	HK$5.0 billion	**HK$23.3 billion**	+366.0%

Source: Website of the Stock Exchange

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services. The Company was successfully listed on GEM of the Stock Exchange by way of share offer (the "**Share Offer**") on 14 July 2016.

Brokerage services

For the year ended 31 December 2020 (the "**Year**"), the Group fully extended its brokerage services to eligible stocks listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the Hang Seng Index Futures & Options, the Hang Seng China Enterprises Index Futures & Options and the Hang Seng TECH Index Futures & Options.

As at 31 December 2020, the Group had 242 active customers (2019: 231), among which, the ten largest active customers contributed to approximately 46.3% (2019: approximately 42.2%) of the commission income from brokerage services.

Placing and underwriting services

During the Year, the Group completed 12 placing and underwriting engagements (2019: 11 engagements). Revenue derived from underwriting services amounted to approximately HK$30.4 million during the Year (2019: approximately HK$30.5 million) while revenue derived from placing services amounted to approximately HK$1.9 million during the Year (2019: approximately HK$1.1 million).

Corporate finance advisory services

The Group was engaged in 16 corporate finance advisory engagements during the Year (2019: 13 engagements), among which, 8 financial advisory engagements contributed to a total revenue of approximately HK$1.8 million and 8 independent financial advisory engagements contributed to a total revenue of approximately HK$0.9 million.

Financing services

During the Year, interest income from securities and IPO financing amounted to approximately HK$7.6 million (2019: approximately HK$3.9 million), representing an increase of approximately 94.9%. Such increase was attributable to the rebound demand for margin financing service from customers and active IPO market. To cater for occasional needs of funding for the financing services, the Group maintained staging facilities for IPO loan from a bank during the Year.

Asset management services

During the Year, the Group had been acting as the investment manager of Astrum Absolute Return China Fund (the "**Astrum China Fund**"). As at 31 December 2020, the asset under management of the Astrum China Fund was approximately US$9.3 million (2019: approximately US$8.3 million) and the net asset value per share was approximately US$1,425.253 (2019: approximately US$1,307.188).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key financial data

	For the year ended/ As at 31 December 2019 HK$'000	**For the year ended/ As at 31 December 2020 HK$'000**	Approximate percentage change
Results of operation			
Revenue	45,431	**47,848**	+5.3%
Profit/(loss) before tax	14,143	**(1,971)**	N/A
Profit/(loss) and total comprehensive income/(expenses) for the year attributable to owners of the Company	12,030	**(2,121)**	N/A
Financial position			
Current assets	256,384	**274,861**	+7.2%
Current liabilities	79,463	**109,155**	+37.4%
Net current assets	176,921	**165,706**	-6.3%
Total equity	183,544	**173,423**	-5.5%
Key financial ratios			
Net profit margin	26.5%	**N/A**	
Current ratio	3.2	**2.5**	
Gearing ratio	–	**–**	
Net debt to equity ratio	Net cash position	**Net cash position**	
Return on assets	4.6%	**N/A**	
Return on equity	6.6%	**N/A**	

FINANCIAL REVIEW (Continued)

Revenue

Total revenue of the Group for the Year was approximately HK$47.8 million as compared to approximately HK$45.4 million for the year ended 31 December 2019 (the "**Corresponding Year**"), representing an increase of approximately 5.3%. Such increase was mainly attributable to (i) the increase in interest income from securities and IPO financing; and (ii) the increase in asset management services fee income, which was partially offset by the decrease in corporate finance advisory services fee income.

Commission from brokerage services decreased from approximately HK$3.7 million for the Corresponding Year to approximately HK$3.0 million for the Year, representing a decrease of approximately 18.9%. Such decrease was due to the relatively negative investment atmosphere in the local stock market during the Year.

Revenue derived from placing and underwriting services increased from approximately HK$31.6 million for the Corresponding Year to approximately HK$32.3 million for the Year, representing an increase of approximately 2.2%. During the Year, the Group completed 12 placing and underwriting engagements as compared to 11 placing and underwriting engagements in the Corresponding Year.

Corporate finance advisory services fee decreased significantly from approximately HK$4.9 million for the Corresponding Year to approximately HK$2.7 million for the Year, representing a decrease of approximately 44.9%. Such decrease was mainly due to the decrease in the average advisory fee of the corporate finance advisory engagements charged by the Group during the Year.

Interest income from securities and IPO financing increased significantly from approximately HK$3.9 million for the Corresponding Year to approximately HK$7.6 million for the Year, representing an increase of approximately 94.9%. Such increase was attributable to the rebound demand for margin financing service from customers and active IPO market.

Asset management fee increased from approximately HK$1.3 million for the Corresponding Year to approximately HK$2.3 million for the Year, representing an increase of approximately 76.9%. For the Year, the Group recognised a management fee of approximately HK$1.4 million (Corresponding Year: approximately HK$1.3 million) and performance fee of approximately HK$0.9 million (Corresponding Year: Nil) was charged as the net asset value per share of Astrum Absolute Return China Fund surpassed the high water mark achieved in 2019.

Other income

Other income increased from approximately HK$0.9 million for the Corresponding Year to approximately HK$2.6 million for the Year, representing an increase of approximately 188.9%. Such increase was mainly due to (i) the increase in interest income from banks; (ii) the increase in handling fee income, such as CCASS charges and scrip fees received from customers; and (iii) the receipt of government subsidies of approximately HK$1.3 million (Corresponding Year: Nil) from the Employment Support Scheme and the Subsidy Scheme for the Securities Industry under the Anti-epidemic Fund of the Hong Kong Government.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK$31.9 million for the Corresponding Year to approximately HK$50.1 million for the Year, representing an increase of approximately 57.1%. Such increase was mainly due to the increase in commission expenses from approximately HK$6.6 million for the Corresponding Year to approximately HK$24.5 million for the Year.

Finance costs

During the Year, the finance costs of the Group increased significantly from approximately HK$0.3 million for the Corresponding Year to approximately HK$2.8 million for the Year, representing an increase of approximately 833.3%. The finance costs for the Year were mainly derived from the utilisation of IPO loan borrowed from a bank.

(Loss)/profit for the Year

As a result of the foregoing, loss of approximately HK$2.1 million for the Year was recorded as compared to a profit of approximately HK$12.0 million for the Corresponding Year.

PROSPECTS

With the launch of vaccination schemes in various places around the world, the global economy may see relatively significant improvements starting from the latter half of 2021. International Monetary Fund forecasts that the global economy will rebound by 5.5% for 2021.

The foreign and economic policy directions of the US administration is the attention of the whole world. Their implications on the China-US relations and their economies are of particular significance. Changes in China-US relations will affect the global trade and finance landscape. Possible financial risks associated with the surging global public debt also warrant attention. Hong Kong economy is expected to resume positive growth but the progress of economic recovery will hinge on the development of the COVID-19.

The uncertain global economic outlook this year casts a shadow on the Hong Kong stock market. The performance of the Group in 2021 would inevitably be affected. The Group would review and adjust business strategies on regular basis with a prudent and balanced risk management approach, with an aim of striving for sustained income and balanced growth.

Subsequent to 31 December 2020 and up to the date of this report, the Group completed 4 placing engagements and 1 corporate finance advisory engagement.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 27 employees (2019: 26 employees) and 6 account executives (2019: 3 account executives). Total staff costs (including directors' remuneration) were approximately HK$17.0 million (2019: approximately HK$15.9 million).

Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. Assessment of employee remuneration is conducted annually to determine whether any bonus or salary adjustments are required to be made.

The Group adopted a share option scheme (the "**Scheme**"). During the period from the date of its adoption up to 31 December 2020, no options have been granted or agreed to be granted pursuant to the Scheme and, therefore, there were no outstanding options as at 31 December 2020 (2019: NIL).

Majority of the employees are licensed with the Securities and Futures Commission of Hong Kong (the "**SFC**") as responsible officers or licensed representatives and therefore are required to comply with the continuous professional training requirements. From time to time, the Group provides in-house continuous professional training and updates on changes or development in the financial industry including the revisions on rules and regulations to update the employees' knowledge and skills so as to maintain their professional competence and keep them remaining fit and proper.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Year, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources and net proceeds raised from the Share Offer and occasionally financed its financing services by IPO stagging bank loan facility.

As at 31 December 2020,

(i) the total assets of the Group amounted to approximately HK$282.6 million (2019: approximately HK$264.0 million). The increase in total assets of the Group was mainly attributable to the existence of trade receivables due to the subscription of new shares in IPO in the amount of approximately HK$22.9 million by the end of 2020;

(ii) the total equity attributable to owners of the Company amounted to approximately HK$173.4 million (2019: approximately HK$183.5 million). The decrease in total equity attributable to owners of the Company was mainly due to the loss and total comprehensive expense for the Year in the amount of approximately HK$2.1 million and the payment of interim dividends in the total amount of HK$8.0 million for the first, second and third quarter financial periods in 2020;

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

(iii) the net current assets of the Group amounted to approximately HK$165.7 million, (2019: approximately HK$176.9 million) representing a decrease of approximately 6.3% and the current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 2.5 times (2019: approximately 3.2 times). As the increasing rate of the current liabilities (approximately 37.4%) was greater than that of the current assets (approximately 7.2%), the current ratio of the Group decreased from approximately 3.2 times as at 31 December 2019 to approximately 2.5 times as at 31 December 2020;

(iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK$196.6 million (2019: approximately HK$209.7 million). Such decrease was due to the decrease in bank balances in general accounts and cash of approximately HK$48.6 million and offset by the increase in bank balances in trust accounts of approximately HK$35.5 million; and

(v) the Group did not have any debt (2019: NIL) and therefore gearing ratio was not applicable.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charges of assets as at 31 December 2020 (2019: NIL).

FOREIGN EXCHANGE EXPOSURE

The turnover and business costs of the Group were principally denominated in Hong Kong dollars. Therefore, the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal and no financial instrument for hedging was employed during the Year.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Year.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Year, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, there was no plan authorised by the Board for any material investments or additions of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 31 December 2020, the Group did not have any commitment (2019: HK$62.1 million) in respect of underwriting of shares.

In addition, the Group did not have any capital commitments as at 31 December 2020 (2019: NIL).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020 (2019: NIL).

PRINCIPAL RISKS AND UNCERTAINTIES

The business activities of the Group are subject to different financial risks including credit risk and liquidity risk. The overall risk management of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Credit risk

The Group is exposed to credit risk which may cause a financial loss due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Group reviews the recoverable amount of each individual receivable periodically to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the customer. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. In this regard, the management considers that the credit risk is significantly reduced.

Liquidity risk

The Group is subject to the statutory liquidity requirements as prescribed by the regulators. The Group has a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong).

The Directors believe that the Group's internal resources and working capital are adequate to meet its financial obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

On 4 January 2021, a total of 80,000,000 share options were granted to 11 eligible persons under the share option scheme of the Company adopted on 23 June 2016 to subscribe for an aggregate of 80,000,000 ordinary shares of the Company at an exercise price of HK$0.096 per Share with the validity period of 5 years from the date of grant. For further information, please refer to the announcement of the Company dated 4 January 2021.

On 2 February 2021 (after trading hours), the Company and its operating subsidiary, Astrum Capital Management Limited (the "**Placing Agent**"), entered into a placing agreement pursuant to which the Company appointed the Placing Agent to place, on a best efforts basis and subject to the fulfillment of the condition precedent to the placing, a maximum of 160,000,000 placing shares to not less than six independent placees at a price of HK$0.083 per placing share. The condition of the placing has been fulfilled and completion of the placing took place on 24 February 2021. An aggregate of 160,000,000 placing shares have been successfully placed to not less than six independent placees at the placing price of HK$0.083 per placing share, representing (i) 20.00% of the issued share capital of the Company immediately before completion of the placing; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the 160,000,000 placing shares. For further information, please refer to the announcements of the Company dated 2 February 2021 and 24 February 2021.

Save as disclosed above, there was no other significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Pan Chik (潘稷) (alias Jackie Pan), aged 52, is the chairman of the Board, an executive Director and the chief executive officer of the Group. Mr. Pan was appointed as an executive Director on 13 January 2015 and is responsible for formulating corporate strategy, planning, business development as well as supervising the overall operations of the Group.

Mr. Pan has over 20 years of experience in the financial services industry. During the period from May 1993 to April 2007, he worked in Lippo Securities Holdings Limited and last held the position of associate director – investment services. Mr. Pan was a director of Murtsa Capital Partners Limited from October 2009 to September 2013, which was engaged in providing advisory and management services to offshore funds.

Mr. Pan has been a director of Astrum Capital Management Limited ("**Astrum Capital**") since 2007, a wholly-owned subsidiary of the Company. He is currently licensed with the Securities and Futures Commission of Hong Kong (the "**SFC**") as a Responsible Officer of Astrum Capital for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. Pan obtained a bachelor's degree of arts in accounting, finance and economics from the University of Essex in July 1991.

Mr. Kwan Chun Yee Hidulf (關振義), aged 48, was appointed as an executive Director on 13 January 2015 and is responsible for business planning and development and overseeing the operations of the Group. Mr. Kwan is also the compliance officer of the Company with effect from 16 November 2017. He has over 20 years of experience in the financial services industry. Prior to joining the Group, Mr. Kwan was the Responsible Officer of Asia Investment Management Limited, Goldin Financial Limited and South West Capital Limited at the material time for the period from March 2009 to June 2012.

Mr. Kwan joined the Group as the head of corporate finance department of Astrum Capital in July 2012 and was subsequently appointed as a director of Astrum Capital in October 2012. He is currently the managing director of Astrum Capital and is licensed with the SFC as a Responsible Officer of Astrum Capital for Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. He obtained his bachelor's degree in business administration conferred by Lingnan University in Hong Kong in November 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sum Loong (沈龍) (alias Dillan Sum), aged 59, was appointed as an independent non-executive Director on 1 November 2020. Mr. Sum has over 20 years of working experience in the areas of corporate/company/commercial legal affairs, compliance and business administration matters. He is currently a partner and solicitor of Wong Heung Sum & Lawyers and company secretary and authorised representative of SingAsia Holdings Limited (Stock Code: 8293).

Mr. Sum graduated from the University of Essex with a Bachelor of Laws degree in 1991 and was admitted as a solicitor of the High Court of Hong Kong in 1994, and of the Supreme Court of England and Wales in 1995. He also obtained a law degree in the China University of Political Science and Law in 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Lee Tak Cheung Vincent (李德祥), aged 58, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lee has been practicing as a solicitor in Hong Kong since 1988. Since February 2015, Mr. Lee has been a consultant of the law firm, Chow, Griffiths and Chan. Mr. Lee has been advising customers on conveyancing and corporate matters.

Mr. Lee is now also a Notary Public and a China-Appointed Attesting Officer in Hong Kong. Mr. Lee obtained a bachelor of law degree from The University of Hong Kong in November 1985.

Mr. Lau Hon Kee (劉漢基) (alias Keith Vingo Lau), aged 50, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lau has over 20 years of experience in the financial reporting and accounting fields. He is an independent non-executive director of Dafeng Port Heshun Technology Company Limited (stock code: 8310).

Mr. Lau was one of the joint company secretaries of Zhejiang Tengy Environmental Technology Co., Ltd (stock code: 1527) from November 2014 to January 2018. He was also the financial controller and the company secretary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (stock code: 8058), a company which shares were delisted on GEM in July 2017 due to privatisation.

Mr. Lau is a fellow of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of CPA Australia. Mr. Lau holds a bachelor's degree in commerce conferred by Australian National University in April 1994 and a master's degree in professional accounting conferred by Hong Kong Polytechnic University in October 2009.

SENIOR MANAGEMENT

Mr. Fung Tat Hung Ricky (馮達雄), aged 50, head of dealing department, joined the Group on 1 March 2005. Mr. Fung has over 20 years of experience in financial market. Mr. Fung is responsible for managing day to day trading operation. Mr. Fung obtained a diploma in business Management from The Hong Kong Polytechnic University in September 1995. In October 2003, Mr. Fung obtained a master degree in engineering management from University of Technology, Sydney via distance learning.

COMPANY SECRETARY

Mr. Mak Yat Tang Anthony (麥日騰), aged 45, chief financial officer and company secretary, joined the Group on 1 September 2019. Mr. Mak has 20 years of experience in financial management, accounting and corporate governance. Mr. Mak is a certified public accountant (non-practising) in Hong Kong and obtained his Master of Professional Accounting from the Hong Kong Polytechnic University in 2008.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interest and to enhance their confidence and support. For the year ended 31 December 2020 (the "**Year**"), the Company has adopted and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except the deviation from the CG Code provision A.2.1. The board (the "**Board**") of Directors will review and continue to enhance the Company's corporate governance standards, as the Directors believe that sound internal controls and effective corporate governance practices are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Board is pleased to report that the Group was in compliance with the code provisions of the CG Code during the Year, except where otherwise stated.

CHAIRMAN AND CHIEF EXECUTIVE

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Pan has been managing and supervising the overall operations of the Group since 2007. The Board believes that vesting the roles of chairman and chief executive officer in Mr. Pan is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

THE BOARD

The Board currently consists of five members including two executive Directors and three independent non-executive Directors. In compliance with Rules 5.05(1) & (2) and Rule 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

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

In accordance with article 108 of Articles and Association of the Company (the "**Articles**"), at each annual general meeting 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. At the forthcoming annual general meeting of the Company (the "**2021 AGM**"), each of Mr. Lee Tak Cheung Vincent and Mr. Sum Loong will retire as Director by rotation and, being eligible, will offer themselves for re-election at the 2021 AGM.

EXECUTIVE DIRECTORS

Executive Directors are responsible for formulating corporate strategy, planning business development, supervising the overall operations of the Group and overseeing compliance and risk management of the Group. They are responsible to ensure proper risk management and internal control system is in place and the Group's business conforms to applicable laws and regulations.

Executive Directors

Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Kwan Chun Yee Hidulf

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a service contract for an initial term of three years. Service contract for Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee were commencing from 14 July 2019 and service contract for Mr. Sum Loong was commencing from 1 November 2020. Unless terminated earlier by either side by giving not less than one month's prior written notice and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles.

Independent non-executive Directors

Mr. Sum Loong
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Lau Hon Kee possesses the appropriate professional qualifications, or accounting and related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. None of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2020 in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 5.09 of the GEM Listing Rules.

RELATIONSHIP AMONG BOARD MEMBERS

There is no financial, business, family or other material or relevant relationship among members of the Board.

BOARD DIVERSITY POLICY

The Board Diversity Policy as adopted by the Board aims to achieve diversity in the Board in order to have a balance of skills, experience and diversity of perspectives in accordance with the business nature of the Company. The Company endorses and recognises the benefits of having a diversified Board. Selections on the Board for appointments are based on a range of diversity of perspectives, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

BOARD COMMITTEE

The Board has established three Board committees, namely the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM website *www.hkgem.com* and the Company's website at *www.astrum-capital.com*. All the Board committees should report to the Board on their decisions or recommendations.

The Board is responsible for performing the corporate governance duties as set out in the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations, (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management, (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, (iv) developing, reviewing and monitoring the code of conduct and compliance manual, and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Remuneration Committee

The chairman of the Remuneration Committee is Mr. Sum Loong, being an independent non-executive Director, and other members include Mr. Pan Chik and Mr. Kwan Chun Yee Hidulf, both being executive Directors and Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee, both being independent non-executive Directors.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing remuneration policy, and on the remuneration packages of individual executive Directors and senior management (including benefits in kinds, pension rights and compensation payment) and the remuneration of the non-executive Directors. The Remuneration Committee has reviewed the remuneration package of the Directors and senior management of the Company and considered that they are fair and reasonable during the Year.

Nomination Committee

The chairman of the Nomination Committee is Mr. Pan Chik, being the chairman of the Board, an executive Director and the chief executive officer of the Company, and other members include Mr. Kwan Chun Yee Hidulf, being an executive Director and Mr. Sum Loong, Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee, all being independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity (including but not limited to the skills, knowledge, experience and gender) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to review and assess the independence of the independent non-executive Directors, to review annually the time commitment of directors and to evaluate whether directors have committed adequate time to discharge their responsibilities and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. The Nomination Committee has reviewed the structure, size, composition and diversity of the Board. The Nomination Committee will continue to review the necessity of recruiting more competent staff in the expansion of the Group.

BOARD COMMITTEE (Continued)

Audit Committee

The chairman of the Audit Committee is Mr. Lau Hon Kee, being an independent non-executive Director, and other members include Mr. Sum Loong and Mr. Lee Tak Cheung Vincent, both being independent non-executive Directors.

The primary duties of the Audit Committee are to (i) review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (ii) monitor integrity of the Company's financial statements, review annual report and accounts, half-year report and quarterly reports, and review significant financial reporting judgements contained in them; and (iii) review the Company's financial reporting, financial controls, risk management and internal control systems.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise. During the Year, the Audit Committee held 5 meetings to review, assess and comment on the consolidated quarterly, interim and final results of the Group. It has also reviewed the risk management and internal control systems of the Group, the continuing connected transactions carried out by the Group and the compliance with the Deed of Non-competition in the section headed "REPORT OF THE DIRECTORS" of this report. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Year have complied with applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the independent auditors of the Company at the 2021 AGM.

During the Year, the attendance of each member of the above committees meetings, board meetings and general meetings are recorded as below:

Directors/Board Committees	The Board (Notes 1 & 2)	Audit Committee (Note 1)	Remuneration Committee (Notes 1 & 2)	Nomination Committee (Notes 1 & 2)	General Meeting
Mr. Pan Chik	C (8/8)	N/A	M (4/4)	C (2/2)	(1/2)
Mr. Kwan Chun Yee Hidulf	M (8/8)	N/A	M (4/4)	M (2/2)	(2/2)
Mr. Sum Loong *(appointed on 1 November 2020)*	M (1/8)	M (1/4)	C (0/4)	M (0/2)	(0/2)
Mr. Lee Tak Cheung Vincent	M (8/8)	M (4/4)	M (4/4)	M (2/2)	(0/2)
Mr. Lau Hon Kee	M (8/8)	C (4/4)	M (4/4)	M (2/2)	(2/2)
Mr. Chan Chun Hong *(resigned on 1 November 2020)*	M (7/8)	M (3/4)	C (4/4)	M (2/2)	(2/2)

Notes:

1. C – Chairman of the relevant Board Committee

2. M – Member of the relevant Board Committee

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditors of the Company regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 38 to 42 of this report.

The management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Group's performance, position and prospects.

DIRECTORS' TRAINING AND DEVELOPMENT

All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure their compliance with these requirements and enhance their awareness of good corporate governance. All Directors and employees of the Group are encouraged to attend relevant training courses to keep abreast of the latest market and regulatory changes and developments. The Board may seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to assist and ensure the Directors can duly discharge their duties.

All Directors confirmed that they have complied with the CG Code provision A.6.5. During the Year, all Directors namely, Mr. Pan Chik, Mr. Kwan Chun Yee Hidulf, Mr. Sum Loong, Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee, have participated in continuous professional development by attending seminars, courses or conferences or read related materials to develop and refresh their knowledge and skills.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the required standard of dealings throughout the Year. The Company has not been notified of any incident of non-compliance during the Year.

COMPANY SECRETARY

The biographical details of Mr. Mak Yat Tang Anthony, the chief financial officer and the company secretary of the Company, are set out under the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this report. In accordance with the Rule 5.15 of the GEM Listing Rules, Mr. Mak had taken no less than 15 hours of relevant professional training during the Year.

INDEPENDENT AUDITORS' REMUNERATION

During the Year, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/ payable HK$'000
Audit services	
– Statutory audit services	630
Non-audit services	
– Review of the financial information in quarterly and interim reports	270
	900

CONSTITUTIONAL DOCUMENTS

There are no significant change in the Company's constitutional documents during the Year.

DIVIDENDS POLICY

The Company does not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

(a) the Group's financial results;

(b) the shareholders' interests;

(c) general business conditions, strategies and future expansion needs;

(d) the Group's capital requirements;

(e) the payment by its subsidiaries of cash dividends to the Company;

(f) possible effects on liquidity and financial position of the Group; and

(g) other factors as the Board may consider relevant.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Group, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Group's risk management framework sets out the process of identification, evaluation and management of the principal risks affecting the business:

i. Each division is responsible for identifying, evaluating and managing risks within its own division on a regular basis with mitigation plans to manage those risks after taking into account the objective of such division.

ii. The management is responsible for overseeing the risk management and internal control activities of the Group through regular meetings with each division to ensure principal risks are properly managed and new or changing risks and material internal control defects have been identified and addressed.

iii. The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems through regular meetings with the management. In addition, the Audit Committee, with the professional advices and opinions from the external internal control consultant of the Company, is responsible for ensuring the sufficiency and effectiveness of the Group's risk management and internal control systems through regular inspection and monitoring.

The risk management framework, coupled with our internal controls, ensures that the risk associated with different divisions of the Group are effectively controlled and in line with the Group's appetite. However, the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. During the Year, the management conducted a review on the internal control system of the Group. Such review focused on revisiting certain findings, recommendations for improvements, and areas for strengthening the internal control system of the Group, as identified by an external internal control consultant, ACCE Consulting Group Limited, which the Group engaged to conduct an independent internal control review for the year ended 31 December 2019. No significant control failings or weakness was identified by ACCE Consulting Group Limited during their review for the year ended 31 December 2019. The management concluded that there was no significant control weakness in the Group's internal control system and that the Group has implemented the recommendations put forth by the external internal control consultant. The Board considered that the risk management and internal control system of the Group are effective and adequate.

Handling and dissemination of inside information

With respect to the handling and dissemination of inside information, the Group has adopted various procedures and measures on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirement and that inside information is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to the Directors and employees, dissemination of information to specified persons on a need-to-know basis and use of code to identify projects.

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS

Communication with the shareholders and investor relations

The Company has adopted the shareholders' communication policy (the "**Shareholders' Communication Policy**") with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and potential investors to engage actively with the Company.

In accordance with the Shareholders' Communication Policy, information of the Company shall be communicated to the shareholders and potential investors mainly through the Company's financial reports (quarterly, interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosure submitted to the Stock Exchange and the corporate communications and other corporate publications on the Company's website.

Procedures for the shareholders to convene an extraordinary general meeting

According to article 64 of the Articles, extraordinary general meetings of the Company shall be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

At any general meeting a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted by a show of hands.

Procedures for putting forward proposals by shareholders at shareholders' meetings

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

Enquiries of shareholders

Shareholders may send their enquiries to the Board by addressing them to the principal place of business of the Company in Hong Kong (located at Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong) by post or by email to info@astrum-capital.com. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. In addition, shareholders should direct the questions about their shareholdings to Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries include provision of (i) brokerage services; (ii) placing and underwriting services; (iii) corporate finance advisory services; (iv) financing services including securities and IPO financing; and (v) asset management services. There were no significant changes in nature of Group's principal activities during the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2020 are set out in Note 35 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the Year and an analysis of the prospects of the Group's business are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 5 to 13.

A description of the principal risks and uncertainties facing by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 12.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2020 are set out in the consolidated financial statements from pages 43 to 115 of this report.

At a board meeting of the Company held on 7 May 2020, the Board declared an interim dividend ("**Q1 Dividend**") of HK$0.005 per share for the three months ended 31 March 2020 (three months ended 31 March 2019: HK$0.005 per share), amounting to HK$4.0 million (three months ended 31 March 2019: HK$4.0 million). Such declared Q1 Dividend in the total amount of HK$4.0 million was paid to the shareholders of the Company on 12 June 2020.

At a board meeting of the Company held on 6 August 2020, the Board declared an interim dividend ("**Q2 Dividend**") of HK$0.0025 per share for the three months ended 30 June 2020 (three months ended 30 June 2019: HK$0.005 per share), amounting to HK$2.0 million (three months ended 30 June 2019: HK$4.0 million). Such declared Q2 Dividend in the total amount of HK$2.0 million was paid to the shareholders of the Company on 9 September 2020.

At a board meeting of the Company held on 6 November 2020, the Board declared an interim divided ("**Q3 Dividend**") of HK$0.0025 per share for the three months ended 30 September 2020 (three months ended 30 September 2019: HK$0.005 per share), amounting to HK$2.0 million (three months ended 30 September 2019: HK$4.0 million). Such declared Q3 Dividend in the total amount of HK$2.0 million was paid to the shareholders of the Company on 11 December 2020.

At a board meeting of the Company held on 19 March 2021, the Board did not recommend the payment of final dividend for the Year (2019: NIL).

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as set out on page 116 of this report, are extracted from this report, the annual reports of the Company for the four years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the turnover attributable to the Group's largest customer accounted for approximately 49.3% (2019: approximately 22.9%) of the Group's total turnover and the turnover attributable to the Group's five largest customers accounted for approximately 69.1% (2019: approximately 63.9%) of the Group's total turnover.

To the best of the Directors' knowledge, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or any shareholder of the Company (who to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had an interest in any of the major customers above.

The Group had no major supplier due to the nature of principal business activities of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

The Company did not issue any shares during the Year. Details of movements in the share capital of the Company during the Year are set out in Note 25 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and in Note 34 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution to the shareholders are approximately HK$81.0 million (2019: approximately HK$80.4 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's redeemable or listed securities during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Article**") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

EQUITY-LINKED AGREEMENTS

Save and except for the Scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME", no equity-linked agreements that (i) will or may result in the Company issuing shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the shareholders of the Company on 23 June 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion. No share options have been granted under the Scheme since its effective date and up to 31 December 2020. The major terms of the Scheme are set out in Note 27 to the consolidated financial statements.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 16 to 23 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As the principal business activities of the Group are carried out by Astrum Capital Management Limited ("**Astrum Capital**") which is a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), the Group is committed to comply with all relevant laws and regulations under the regulatory regime for the financial service industry, in particular, all applicable provisions of the SFO and its supplementary rules and regulations as well as the codes and guidelines issued by the Securities and Futures Commission of Hong Kong (the "**SFC**").

To the best of knowledge of the Directors, the Group has complied with all relevant laws, rules and regulations during the Year.

REPORT OF THE DIRECTORS

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 December 2020, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCES

The Group is committed to support for environmental protection by adopting green office practices to reduce consumption of energy and natural resources. The green office practices include use of energy-efficient LED lights and duplex printing, reuse of single-side printed paper, envelops and stationery, turning off idle electrical appliances and setting optimal temperature on the air-conditioning. Employees have been following the green office practices whenever possible during the day-to-day operation.

A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than three months after the publication of this report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group is committed to establish and maintain long term and harmonious relationships with its employees, customers and business partners. The Group provides a pleasant and healthy working environment to employees. During the Year, the Group organised various activities to promote the friendship, bonding and healthiness of employees including badminton games, hiking, fishing and festive celebrations. In addition, continuous professional training is provided to employees to update and strengthen their professional knowledge. Instead of mass communication, employees of the Group communicate with his/her customers and/or business partners on an ongoing and promptly basis through email, telephone or face-to-face meeting. The Group was able to retain its customers and business partners during the Year and no complaints were received.

DONATION

The Group did not make any charitable and other donations during the Year.

DIRECTORS AND THEIR SERVICE CONTRACTS

The Directors during the Year and up to date of this report were:

Executive Directors

Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Kwan Chun Yee Hidulf

Independent Non-executive Directors

Mr. Sum Loong *(appointed on 1 November 2020)*
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee
Mr. Chan Chun Hong *(resigned on 1 November 2020)*

The biographical details of the Directors are set out on pages 14 to 15 of this report.

DIRECTORS AND THEIR SERVICE CONTRACTS (Continued)

In accordance with article 108 of Articles, at each annual general meeting 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. At the forthcoming annual general meeting of the Company (the "**2021 AGM**"), each of Mr. Lee Tak Cheung Vincent and Mr. Sum Loong will retire from office as Director by rotation and, being eligible, will offer themselves for re-election at the 2021 AGM.

Each of the Directors has entered into a service contract with the Company for a term of three years which is subject to termination by either party giving not less than one month's written notice.

No Director proposed for re-election at the 2021 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 14 to 15 of this report.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out in the paragraph headed "SHARE OPTION SCHEME".

The Directors' fee are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 10 and 11 to the consolidated financial statements respectively.

Details of the remuneration of senior management by band is set out in Note 31(iii) to the consolidated financial statements.

Details of the retirement benefit scheme are set out in Note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions against them arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "**Companies Ordinance**") when this directors' report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

COMPETING INTERESTS

During the Year, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

NON-COMPETITION UNDERTAKING

Confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited four confirmations respectively in April, July and October 2020 and January 2021 on their compliance of the non-competition undertaking under the Deed of Non-competition ("**Pan's Undertaking**") for the respective period from 1 January 2020 to 31 March 2020, 1 April 2020 to 30 June 2020, 1 July 2020 to 30 September 2020 and 1 October 2020 to 31 December 2020. The independent non-executive Directors have reviewed the compliance of Pan's Undertaking and evaluated the effectiveness of the implementation of the Deed of Non-competition, and were satisfied that Mr. Pan and Autumn Ocean Limited have complied with Pan's Undertaking during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 31 to the consolidated financial statements. Those related party transactions which constitute connected transactions/continuing connected transactions under the GEM Listing Rules are set out in the paragraph headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" below. These continuing connected transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

One-off Connected Transactions

During the Year, the Group had not entered into any non-exempt one-off connected transactions which were subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing connected transactions

During the Year, the Group conducted the following continuing connected transactions which are subject to the reporting, announcement, annual review and/or independent shareholders' approval requirements under the GEM Listing Rules:

2019 Mr. Pan Financing Services Agreement and 2019 Mr. Kwan Financing Services Agreement

Date of agreement: 7 May 2019

Transaction nature: provision of margin financing and/or IPO financing services by Astrum Capital to (i) Mr. Pan Chik ("**Mr. Pan**") and his associates (including his family members and certain private companies controlled by Mr. Pan and his family members but excluding the Group (collectively, the "**Pan's Family**")); and (ii) Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**") under their respective securities trading accounts with Astrum Capital

Term	Connected parties	Annual caps	Annual cap amount for the Year HK$'000	Advance from the Group/ Interest paid to the Group	Historical maximum amount/ transaction amount during the relevant period of the Year HK$'000 (Approximately)
20 June 2019 to 23 September 2020 (Note 4)	Pan's Family	IPO Annual Cap (Note 1)	47,000	Advance from the Group	42,567
		Margin Annual Cap (Note 2)	20,000	Advance from the Group	19,688
		Interest Annual Cap (Note 3)	2,000	Interest paid to the Group	1,192
7 May 2019 to 23 September 2020 (Note 5)	Mr. Kwan	IPO Annual Cap (Note 1)	8,500	Advance from the Group	8,463
		Margin Annual Cap (Note 2)	1,300	Advance from the Group	593
		Interest Annual Cap (Note 3)	50	Interest paid to the Group	31

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing connected transactions (Continued)

2019 Mr. Pan Financing Services Agreement and 2019 Mr. Kwan Financing Services Agreement (Continued)

Notes:

1. IPO Annual Cap is the annual cap of the daily maximum amounts of IPO financing to be advanced to each of the connected parties.

2. Margin Annual Cap is the annual cap of the daily maximum amounts of margin financing to be advanced to each of the connected parties.

3. Interest Annual Cap is the annual cap of the interest to be received from the provision of margin financing and IPO financing services to each of the connected parties.

4. The 2019 Mr. Pan Financing Services Agreement was superseded by the 2020 Mr. Pan Supplemental Financing Services Agreement (as detailed below) on 24 September 2020.

5. The 2019 Mr. Kwan Financing Services Agreement was superseded by the 2020 Mr. Kwan Supplemental Financing Services Agreement (as detailed below) on 24 September 2020.

Listing Rule implications

As all of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the aggregate amount of the annual caps under the 2019 Mr. Pan Financing Services Agreement exceed 25% and the aggregate amount of the annual caps is more than HK$10 million, the 2019 Mr. Pan Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules. The resolution to approve, confirm and ratify the 2019 Mr. Pan Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) was duly passed by the independent shareholders by way of poll at the extraordinary general meeting held on 20 June 2019.

As one of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the aggregate amount of the annual caps under the 2019 Mr. Kwan Financing Services Agreement is more than 5% but less than 25% and the aggregate amount of the annual caps is less than HK$10 million, the 2019 Mr. Kwan Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirements under the GEM Listing Rules.

The Company confirmed that it has complied with the relevant requirements in respect of the above continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing connected transactions (Continued)

2020 Mr. Pan Supplemental Financing Services Agreement and 2020 Mr. Kwan Supplemental Financing Services Agreement

Date of agreement: 6 August 2020

Transaction nature: provision of margin financing and/or IPO financing services by Astrum Capital to (i) Pan's Family; and (ii) Mr. Kwan under their respective securities trading accounts with Astrum Capital

Term	Connected parties	Annual caps	Annual cap amount for the Year HK$'000	Advance from the Group/ Interest paid to the Group	Historical maximum amount/ transaction amount during the relevant period of the Year HK$'000 (Approximately)
24 September 2020 to 31 December 2022	Pan's Family	IPO Annual Cap (Note 1)	80,000	Advance from the Group	55,706
		Margin Annual Cap (Note 2)	20,000	Advance from the Group	19,821
		Interest Annual Cap (Note 3)	2,300	Interest paid to the Group	512
24 September 2020 to 31 December 2022	Mr. Kwan	IPO Annual Cap (Note 1)	20,000	Advance from the Group	11,462
		Margin Annual Cap (Note 2)	1,300	Advance from the Group	644
		Interest Annual Cap (Note 3)	125	Interest paid to the Group	26

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing connected transactions (Continued)

2020 Mr. Pan Supplemental Financing Services Agreement and 2020 Mr. Kwan Supplemental Financing Services Agreement (Continued)

Notes:

1. IPO Annual Cap is the annual cap of the daily maximum amounts of IPO financing to be advanced to each of the connected parties.

2. Margin Annual Cap is the annual cap of the daily maximum amounts of margin financing to be advanced to each of the connected parties.

3. Interest Annual Cap is the annual cap of the interest to be received from the provision of margin financing and IPO financing services to each of the connected parties.

Listing Rule implications

As all of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the aggregate amount of the annual caps under the 2020 Mr. Pan Supplemental Financing Services Agreement exceed 25% and the aggregate amount of the annual caps is more than HK$10 million, the 2020 Mr. Pan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules. The resolution to approve, confirm and ratify the 2020 Mr. Pan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) was duly passed by the independent shareholders by way of poll at the extraordinary general meeting held on 24 September 2020.

As more than one of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the aggregate amount of the annual caps under the 2020 Mr. Kwan Supplemental Financing Services Agreement exceed 25% and the aggregate amount of the annual caps is more than HK$10 million, the 2020 Mr. Kwan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules. The resolution to approve, confirm and ratify the 2020 Mr. Kwan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) was duly passed by the independent shareholders by way of poll at the extraordinary general meeting held on 24 September 2020.

The Company confirmed that it has complied with the relevant requirements in respect of the above continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Auditors' letter on continuing connected transactions

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 29 to 34 of this report in accordance with Rule 20.54 of the GEM Listing Rules.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties (as defined under the GEM Listing Rules); and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

As at 31 December 2020, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "**Chief Executives**") which were 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 which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity/Nature of interests	Number of shares interested in	Approximate percentage of shareholding (Note 2)
Mr. Pan (Note 1)	Interest in a controlled corporation	532,685,000	66.59%

Notes:

1. These 532,685,000 shares are held by Autumn Ocean Limited which is wholly owned by Mr. Pan and hence, Mr. Pan is deemed, or taken to be, interested in all the shares held by Autumn Ocean Limited for the purposes of the SFO.

2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 pursuant to section 352 of the SFO, which would have to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which would have to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

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

So far as the Directors and the Chief Executives are aware, as at 31 December 2020, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Names	Capacity/Nature of interests	Number of shares held/ interested in	Approximate percentage of shareholding (Note 2)
Ms. Liu Ming Lai Lorna (Note 1)	Interest of spouse	532,685,000	66.59%
Autumn Ocean Limited	Beneficial interest	532,685,000	66.59%

Notes:

1. Ms. Liu Ming Lai Lorna is the spouse of Mr. Pan. She is deemed, or taken to be, interested in all the shares in which Mr. Pan is interested for the purposes of the SFO.

2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS" in this report, at no time during the Year and as at the end of the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under the section headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" above and those disclosed in Note 31 to the consolidated financial statements, during the Year, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the Year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the Year were audited by HLB Hodgson Impey Cheng Limited ("**HLB**"), the independent auditors of the Company, who shall retire and, being eligible, offer itself for re-appointment at the 2021 AGM. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of HLB as the independent auditors of the Company will be proposed at the 2021 AGM.

The Company did not change its auditors in the preceding 3 years.

On behalf of the Board

Pan Chik
Chairman and Chief Executive Officer

Hong Kong, 19 March 2021

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF ASTRUM FINANCIAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Astrum Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 115, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 *Auditors' 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 AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables from margin clients arising from the business of dealing in securities	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables in Note 18 to the consolidated financial statements. We identified the impairment of trade receivables from margin clients arising from the business of dealing in securities under the expected credit losses model as a key audit matter due to the use of estimates. Management performed assessment on the recoverability of the trade receivables from margin clients arising from the business of dealing in securities and the sufficiency of provision for impairment by taking into consideration the credit history of the customers, the quality of the securities held by each client in the trading account maintained with the Group, past collection history, repayment subsequent to reporting period and forward-looking factors require management judgement.	Our audit procedures in relation to impairment of trade receivables from margin clients mainly included: – obtaining an understanding of the credit assessment process including trading limits and trading approvals granted to clients and the monitoring procedure on margin position of margin accounts; – assessing the reasonableness of the management's assumptions on the estimated future cash flows after take into account factors, including the value of realisable collateral based on available market information, quality of the securities collateral, past collection history, creditworthiness of the clients and subsequent settlements; – testing the accuracy of information included in the impairment assessment process, including re-perform the calculation of marginable amount and leverage ratio for margin accounts with outstanding balances, fair value amount of the securities collateral and checking the subsequent settlements; and – assessing the appropriateness of the expected credit losses model, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' 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 of the Company 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 of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with HKSAs, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITORS' REPORT

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 auditors' 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 director on the audit resulting in this independent auditors' report is Hui Chun Keung, David.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**47,848**	45,431
Other income	6	**2,624**	881
Fair value changes on financial assets at fair value through profit or loss		**499**	–
Administrative and other operating expenses		**(50,120)**	(31,918)
Finance costs	7	**(2,822)**	(251)
(Loss)/profit before tax	8	**(1,971)**	14,143
Income tax expense	9	**(150)**	(2,131)
(Loss)/profit and total comprehensive (expense)/income for the year		**(2,121)**	12,012
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(2,121)**	12,030
– Non-controlling interests		**–**	(18)
		(2,121)	12,012
(Loss)/earnings per share			
– Basic and diluted (HK cents)	13	**(0.27)**	1.50

Details of dividends are disclosed in Note 12 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	3,696	640
Right-of-use assets	15	937	3,747
Intangible assets	16	950	950
Other assets	17	2,080	2,038
Deferred tax assets	23	54	204
		7,717	7,579
Current assets			
Trade receivables	18	73,546	45,473
Deposits, prepayments and other receivables	19	1,250	1,207
Tax recoverable		517	–
Financial assets at fair value through profit or loss	20	2,922	–
Bank balances and cash			
– General accounts and cash	21	94,829	143,411
– Trust accounts	21	101,797	66,293
		274,861	256,384
Total assets		282,578	263,963
Current liabilities			
Trade payables	22	106,934	69,655
Other payables and accruals		1,265	1,003
Current tax liabilities		–	5,983
Lease liabilities	24	956	2,822
		109,155	79,463
Net current assets		165,706	176,921
Total assets less current liabilities		173,423	184,500
Non-current liabilities			
Lease liabilities	24	–	956
Net assets		173,423	183,544

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	25	**8,000**	8,000
Reserves	26	**165,423**	175,544
Total equity		**173,423**	183,544

The consolidated financial statements on pages 43 to 115 were approved and authorised for issue by the board of directors on 19 March 2021 and signed on its behalf by:

Pan Chik	**Kwan Chun Yee Hidulf**
Director	Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 26)	Special reserve HK$'000 (Note 26)	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1 January 2019	8,000	77,179	38,401	59,951	183,531	–	183,531
Profit and total comprehensive income for the year	–	–	–	12,030	12,030	(18)	12,012
Capital contribution from non-controlling interests	–	–	–	–	–	1	1
Acquisition of additional interest in a subsidiary	–	–	–	(17)	(17)	17	–
Dividends recognised as distribution during the year (Note 12)	–	–	–	(12,000)	(12,000)	–	(12,000)
Balance at 31 December 2019	8,000	77,179	38,401	59,964	183,544	–	183,544
Loss and total comprehensive expense for the year	–	–	–	(2,121)	(2,121)	–	(2,121)
Dividends recognised as distribution during the year (Note 12)	–	–	–	(8,000)	(8,000)	–	(8,000)
Balance at 31 December 2020	8,000	77,179	38,401	49,843	173,423	–	173,423

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		(1,971)	14,143
Adjustments for:			
– Depreciation of property, plant and equipment		610	454
– Depreciation of right-of-use assets		2,810	1,874
– Dividends from equity investments		(51)	–
– Write-off of trade receivables		–	268
– Interest expense		2,822	251
– Interest income		(564)	(295)
Operating cash flows before movements in working capital		3,656	16,695
(Increase)/decrease in other assets		(42)	10,796
Increase in trade receivables		(28,073)	(5,997)
(Increase)/decrease in deposits, prepayments and other receivables		(43)	301
Increase in financial assets at fair value through profit or loss		(2,922)	–
Increase in trust accounts		(35,504)	(30,786)
Increase in trade payables		37,279	31,306
Increase in other payables and accruals		262	66
Cash (used in)/generated from operations		(25,387)	22,381
Income tax paid		(6,500)	–
Interest received		562	293
Interest paid		(2,766)	(176)
Net cash (used in)/generated from operating activities		(34,091)	22,498
Cash flows from investing activities			
Dividends received from equity investments		51	–
Interest received		2	2
Increase in a fixed deposit with original maturity over three months	21	(2)	(2)
Purchase of property, plant and equipment	14	(3,666)	(271)
Net cash used in investing activities		(3,615)	(271)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from financing activities			
Capital contribution from non-controlling shareholder of a subsidiary		–	1
Dividends paid	12	(8,000)	(12,000)
Repayment of lease liabilities		(2,878)	(1,918)
Net cash used in financing activities		(10,878)	(13,917)
Net (decrease)/increase in cash and cash equivalents		(48,584)	8,310
Cash and cash equivalents at the beginning of year		143,304	134,994
Cash and cash equivalents at the end of year	21	94,720	143,304

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Astrum Financial Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 13 January 2015 as an exempted company with limited liability. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Autumn Ocean Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and wholly-owned by Mr. Pan Chik ("**Mr. Pan**"), the controlling shareholder, an executive director and the chairman of the Company.

The address of the registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* ("**HKFRS 16**"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* ("**HKFRS 9**"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

(a) Commission income

Commission from brokerage services of securities and futures contract dealings are recognised when the transactions have been executed.

Placing and underwriting associated with placement of securities. These placing and underwriting commissions are recognised at completion of each act (i.e. when securities are allotted or issued).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

(b) Corporate finance advisory services fee

Corporate finance advisory services fee is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is the time cost incurred for work performed to date relative to the total expected time cost to the satisfaction of that performance obligation.

(c) Management fee and performance fee

Management fees are the consideration for the daily management of the fund's or clients' assets and are calculated as a percentage of the net asset values as at the respective valuation date of each fund's or clients' assets under management.

Performance fees represent consideration for asset management services when the performance of a fund's assets exceeds a specified benchmark over performance period. These fees are calculated as a percentage of any appreciation in the net asset value of the fund's assets during the performance period.

Management fees and performance fees are recognised over time. As these fees are highly susceptible to factors outside the Group's influence, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

(d) Handling fee income

Handling fees represent income from settlement, clearing and dividend collection services. These fees are recognised at a point when the relevant transactions have been arranged or the relevant services have been rendered.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss)/profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Trading rights

Trading rights, being the eligibility rights to trade on or through the Stock Exchange and Hong Kong Futures Exchange Limited ("**Futures Exchange**"), with indefinite useful lives are stated at cost (or deemed cost) less any accumulated impairment losses (see accounting policy in respect of impairment on property, plant and equipment, right-of-use assets and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal 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 risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other assets, deposits and other receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables for corporate finance advisory services and asset management services. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping based on shared credit risk characteristics by reference to past due exposure.

For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on certain trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

The Group estimates the amount of impairment loss for trade receivables by assessing the ECLs. ECLs are based on the Group's past due status, collateral values, historical credit loss experience and the assessment of a significant increase in credit risk at the end of the reporting period. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (including sale of collateral held), with the consideration of forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and performance assessment. During the year, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services. Therefore, the directors of the Company consider that the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in Note 3 and no further analysis for segment information is presented.

Revenue from major services

The Group's revenue from its major services are as follows:

	2020 **HK$'000**	2019 HK$'000
Revenue from contracts with customers		
Commission from brokerage services	**3,009**	3,717
Placing and underwriting commission	**32,294**	31,643
Corporate finance advisory services fee	**2,680**	4,930
Asset management services		
– Fund management and performance fee	**2,307**	1,289
	40,290	41,579
Revenue from other sources		
Interest income from securities and initial public offering financing	**7,558**	3,852
Total revenue	**47,848**	45,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition from contracts with customers		
– At a point in time	35,303	35,360
– Over time	4,987	6,219
	40,290	41,579

Transaction price allocated to the remaining performance obligation for contracts with customers

Corporate finance advisory services are provided for a period within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers during the years ended 31 December 2020 and 2019 are derived from Hong Kong, the place of domicile of the Group's operating subsidiary. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2020 HK$'000	2019 HK$'000
Customer A	23,606	N/A[1]
Customer B	N/A[1]	10,416
Customer C	N/A[1]	10,000

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income from		
– banks	559	283
– others	5	12
Administrative services income	8	8
Dividends from equity investments	51	–
Management fee income	33	37
Handling fee income	695	541
Government subsidies (Note)	1,263	–
Sundry income	10	–
	2,624	881

Note:

The Group recognised government subsidies in respect of the Employment Support Scheme and Subsidy Scheme for the Securities Industry under Anti-epidemic Fund of the Hong Kong SAR Government due to the COVID-19 pandemic.

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expense on		
– bank overdrafts and borrowings	2,766	176
– lease liabilities	56	75
	2,822	251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. (LOSS)/PROFIT BEFORE TAX

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	630	630
Commission expenses	24,459	6,562
Depreciation of property, plant and equipment	610	454
Depreciation of right-of-use assets	2,810	1,874
Write-off of trade receivables	–	268
Net foreign exchange (gain)/loss	(71)	37
Expense relating to short-term leases not included in the measurement of lease liabilities	–	733
Employee benefits expense:		
Salaries and other benefits	16,209	14,713
Commission to accounts executives	386	791
Contributions to retirement benefit scheme	364	363
Total employee benefits expense, including directors' emoluments (Note 10)	16,959	15,867

9. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax:		
– Current year	–	2,200
– Over-provision in prior years	–	(25)
	–	2,175
Deferred taxation (Note 23):	150	(44)
	150	2,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. INCOME TAX EXPENSE (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or arising in Hong Kong during the year ended 31 December 2020.

The income tax expense for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	HK$'000	HK$'000
(Loss)/profit before tax	**(1,971)**	14,143
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**(325)**	2,334
Tax effect of income not taxable for tax purpose	**(309)**	(31)
Tax effect of expenses not deductible for tax purpose	**9**	14
Tax effect of temporary difference not recognised	**4**	–
Tax effect of tax losses not recognised	**860**	18
Utilisation of tax losses previously not recognised	**(89)**	–
Over-provision in prior years	**–**	(25)
Others	**–**	(14)
Income tax at concessionary rate	**–**	(165)
Income tax expense for the year	**150**	2,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to each of the directors of the Company are as follows:

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2020					
Executive directors					
Mr. Pan	–	2,472	202	18	2,692
Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**")	–	1,860	156	18	2,034
Independent non-executive directors					
Mr. Lee Tak Cheung Vincent ("**Mr. Lee**")	132	–	–	–	132
Mr. Lau Hon Kee ("**Mr. Lau**")	132	–	–	–	132
Mr. Sum Loong ("**Mr. Sum**") (Note (i))	22	–	–	–	22
Mr. Chan Chun Hong ("**Mr. Chan**") (Note (ii))	110	–	–	–	110
	396	4,332	358	36	5,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2019					
Executive directors					
Mr. Pan	–	2,418	202	18	2,638
Mr. Kwan	–	1,872	156	18	2,046
Independent non-executive directors					
Mr. Chan	132	–	–	–	132
Mr. Lee	132	–	–	–	132
Mr. Lau	132	–	–	–	132
	396	4,290	358	36	5,080

Notes:

(i) Mr. Sum was appointed as an independent non-executive director on 1 November 2020.

(ii) Mr. Chan was resigned as an independent non-executive director on 1 November 2020.

Mr. Pan is the chief executive officer of the Company.

The discretionary bonuses are determined with reference to the performance of the employee.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2020 (2019: NIL).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2019: two) of them are directors of the Company whose emoluments are set out in Note 10 above. Details of the emoluments in respect of the remaining three (2019: three) highest paid individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits in kind	2,488	2,382
Discretionary bonuses	265	199
Contributions to retirement benefit scheme	54	54
	2,807	2,635

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	3	3

During the year ended 31 December 2020, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2019: NIL).

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For the year ended 31 December 2020

12. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year		
First interim dividend paid of HK$0.005 (2019: HK$0.005) per ordinary share	4,000	4,000
Second interim dividend paid of HK$0.0025 (2019: HK$0.005) per ordinary share	2,000	4,000
Third interim dividend paid of HK$0.0025 (2019: HK$0.005) per ordinary share	2,000	4,000
	8,000	12,000

No final dividend was proposed by the directors of the Company for the year ended 31 December 2020 (2019: NIL).

13. (LOSS)/EARNINGS PER SHARE

	2020 HK$'000	2019 HK$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(2,121)	12,030

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	800,000,000	800,000,000

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is no dilutive potential ordinary share in issue during years ended 31 December 2020 and 2019.

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For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
Cost					
At 1 January 2019	1,840	175	586	1,000	3,601
Additions	220	5	46	–	271
At 31 December 2019	2,060	180	632	1,000	3,872
Additions	–	–	20	3,646	3,666
At 31 December 2020	**2,060**	**180**	**652**	**4,646**	**7,538**
Accumulated depreciation					
At 1 January 2019	1,840	135	407	396	2,778
Depreciation expense	67	34	103	250	454
At 31 December 2019	1,907	169	510	646	3,232
Depreciation expense	114	6	64	426	610
At 31 December 2020	**2,021**	**175**	**574**	**1,072**	**3,842**
Carrying amounts					
At 31 December 2020	**39**	**5**	**78**	**3,574**	**3,696**
At 31 December 2019	153	11	122	354	640

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Furniture and fixtures	25%
Computer and equipment	25%
Motor vehicles and yacht	25%

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For the year ended 31 December 2020

15. RIGHT-OF-USE ASSETS

	Office premises HK$'000
Cost	
At 1 January 2019	–
Additions	5,621
At 31 December 2019 and 31 December 2020	**5,621**
Accumulated depreciation	
At 1 January 2019	–
Depreciation expense	1,874
At 31 December 2019	1,874
Depreciation expense	2,810
At 31 December 2020	**4,684**
Carrying amounts	
At 31 December 2020	**937**
At 31 December 2019	3,747

The right-of-use assets are depreciated over the lease term.

For the year ended 31 December 2020, total cash outflow for leases amounts to approximately HK$2,878,000 (2019: HK$2,651,000). Expense relating to short-term leases of HKFRS 16 amounts to Nil (2019: HK$733,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. INTANGIBLE ASSETS

	Trading rights HK$'000
Cost and carrying amounts	
At 1 January 2019, 31 December 2019 and 31 December 2020	**950**

Intangible assets comprised the eligibility rights to trade on or through the Stock Exchange and Futures Exchange.

For the purpose of impairment testing on trading rights, the recoverable amount has been determined based on replacement cost valuation method, classified as Level 2 of the fair value hierarchy, and no impairment was made as at 31 December 2020 (2019: NIL).

17. OTHER ASSETS

	2020 HK$'000	2019 HK$'000
Deposits with the Stock Exchange		
– Compensation fund	**50**	50
– Fidelity fund	**50**	50
– Stamp duty deposit	**5**	30
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**50**	50
Admission fee paid to HKSCC	**50**	50
Mainland security deposit with HKSCC	**375**	308
Statutory deposits and deposits with HKFE Clearing Corporation Limited	**1,500**	1,500
	2,080	2,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	1,379	1,692
Clients – margin	44,895	41,474
Clearing house	3,882	1,705
Subscriptions of new shares in initial public offering	22,862	–
	73,018	44,871
Dealing in futures contracts		
Clearing house	75	87
Corporate finance advisory services	130	300
Asset management services	323	215
	73,546	45,473

The settlement terms of trade receivables arising from the ordinary course of business of (i) dealing in securities from cash clients and clearing house are two days after trade date; and (ii) dealing in futures contracts are one day after trade date.

The credit terms of trade receivables arising from the ordinary course of business of (i) corporate finance advisory services are 7 days or due upon issuance of invoice; and (ii) asset management services are 30 days.

The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk and the overdue balances are regularly reviewed by senior management.

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. As at 31 December 2020, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$160,018,000 (2019: HK$153,019,000). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis of margin loans and subscriptions of new shares in initial public offering is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of this business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables arising from cash clients and clearing houses presented based on the trade date is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	5,336	3,484

The above receivables represent unsettled trades transacted on the last two days prior to the end of the reporting period and it also relates to a wide range of independent clients whom had no recent history of default. These receivables are neither past due nor impaired.

The ageing analysis of the trade receivables arising from corporate finance advisory services and asset management services presented based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	403	408
31–60 days	50	107
Total	453	515

As at 31 December 2020, included in the Group's trade receivables arising from corporate finance advisory services and asset management services are debtors with aggregate carrying amount of approximately HK$130,000 (2019: HK$407,000) which are past due within three months as at the reporting date. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in Note 33.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposits	496	487
Prepayments	484	461
Other receivables	270	259
	1,250	1,207

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For the year ended 31 December 2020

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Financial assets at FVTPL		
Equity securities listed in Hong Kong	2,922	–

The fair values of the equity securities are determined with reference to the quoted price available in active markets. Details of disclosure for fair value measurement are set out in Note 33.

21. BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Bank balances and cash:		
(i) General accounts and cash	94,829	143,411
(ii) Trust accounts	101,797	66,293
	196,626	209,704
Analysis of balances of cash and cash equivalents:		
General accounts and cash	94,829	143,411
Less: fixed deposit with original maturity over three months	(109)	(107)
Cash and cash equivalents in the consolidated statement of cash flows	94,720	143,304

The Group maintains trust bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rate. The Group has recognised the corresponding trade payables to respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

The general accounts and cash comprise cash held by the Group, bank balances bear interest at commercial rates and a fixed deposit of approximately HK$109,000 (2019: HK$107,000) with an original maturity of over three months bear interest at 0.04% (2019: 1.95%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. TRADE PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	53,175	28,919
Clients – margin	51,523	39,210
Clearing house	288	753
	104,986	68,882
Dealing in futures contracts		
Clients	1,948	773
	106,934	69,655

The settlement terms of trade payables arising from the ordinary course of business of (i) dealing in securities are two days after trade date; and (ii) dealing in futures contracts are one day after trade date.

Trade payables to clients are interest-free and are repayable on demand subsequent to settlement date except where certain trade payables to clients represent margin deposits received from clients for their trading in futures contracts under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business.

As at 31 December 2020, the trade payables amounting to approximately HK$101,797,000 (2019: HK$66,293,000) was payable to clients in respect of the trust and segregated bank balances received which were held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Decelerated tax depreciation HK$'000
At 1 January 2019	160
Credited to profit or loss (Note 9)	44
At 31 December 2019	204
Charged to profit or loss (Note 9)	(150)
At 31 December 2020	**54**

As at 31 December 2020, the Group has unused tax losses of approximately HK$6,906,000 (2019: HK$2,230,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

24. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**956**	2,822
Within a period of more than one year but not more than two years	**–**	956
	956	3,778
Less: Amount due for settlement with 12 months shown under current liabilities	**(956)**	(2,822)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	956

The Group has a lease contract for its office premises used in its operations. The lease contract includes an option to renew for an additional period with the then market rent after the end of the contract term in which the Group is not reasonably certain to exercise the extension option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	800,000,000	8,000

26. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Special reserve

Special reserve represents the reserve arose pursuant to the reorganisation for the purpose of listing the shares of the Company on 14 July 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Scheme**") pursuant to a resolution passed on 23 June 2016. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 23 June 2016 and expire on the business day immediately preceding the 10th anniversary thereof, subject to early termination provisions contained in the Scheme.

There was no share option granted to eligible participants during the year ended 31 December 2020 (2019: NIL). There was no outstanding share options as at 31 December 2020 (2019: NIL).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group and in funds under the control of trustees.

The Group contributes, on a monthly basis, 5% of relevant employee's payroll to the MPF Scheme (subject to a maximum of HK$1,500) and the relevant employee also contributes the same amount to the MPF Scheme.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$364,000 (2019: HK$363,000) for the year ended 31 December 2020 and represent contributions paid or payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

29. COMMITMENTS

As at 31 December 2020, the Group had a gross commitment of Nil (2019: approximately HK$62,122,000) in respect of the underwriting agreements with independent third parties in relation to rights issue and initial public offering of shares listed/to be listed in Hong Kong. The Group had offered sub-underwriters for the participation of the aforesaid transactions and the sub-underwriters had accepted the offer with an aggregated commitment of Nil (2019: approximately HK$12,265,000).

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30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000
At 1 January 2019	–
Financing cash flows	
– Repayment of lease liabilities	(1,918)
Non-cash changes	
– New lease	5,621
– Interest expenses	75
At 31 December 2019	3,778
Financing cash flows	
– Repayment of lease liabilities	(2,878)
Non-cash changes	
– Interest expenses	56
At 31 December 2020	**956**

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For the year ended 31 December 2020

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the years ended 31 December 2020 and 2019, the Group entered into the following significant transactions with related parties:

Related party	Nature of transaction	Notes	2020 HK$'000	2019 HK$'000
Mr. Pan	Commission income	(a)(c)	118	153
	Interest income	(b)(d)	241	115
Close family members of Mr. Pan	Commission income	(a)(c)	73	43
	Interest income	(b)(d)	1,378	1,043
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Commission income	(a)(c)	46	25
	Interest income	(b)(d)	85	23
Mr. Kwan	Commission income	(a)(c)	16	2
	Interest income	(b)(d)	57	8

Notes:

(a) The commission income from brokerage services for (i) dealing in securities was calculated at rates which ranged from 0.1% to 0.2% (subject to minimum charge of HK$80) and (ii) dealing in futures contracts was based on the rates which substantially in line with those normally received by the Group from third parties.

(b) The interest income received from securities and initial public offering financing were based on the rates which substantially in line with those normally received by the Group from third parties.

(c) These transactions were continuing connected transactions which fell under the de minimis provision set forth in Rule 20.74 of the GEM Listing Rules and were fully exempted from reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

(d) These transactions were disclosable continuing connected transactions (as defined under Chapter 20 of the GEM Listing Rules) of the Company. Details of which have been set out in the paragraph headed "Connected Transactions/Continuing Connected Transactions" of the Report of the Directors.

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For the year ended 31 December 2020

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties

Included in trade receivables and trade payables arising from the ordinary course of business of dealing in securities and futures contracts are amounts due from and (to) certain related parties. Details of which are as follows:

Related party	Nature of account	2020 HK$'000	2019 HK$'000
Mr. Pan	Margin account (Note (a))	1,658	(1,762)
	Futures account	(208)	(222)
Mr. Kwan	Margin account (Note (b))	263	207
Close family members of Mr. Pan	Margin account (Note (c))	15,992	15,877
	Cash account (Note (d))	(209)	(80)
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Margin account	(17)	(303)
Mr. Fung Tat Hung Ricky, a member of the key management personnel	Margin account	(995)	(136)
	Futures account	(1)	(10)
Mr. Mak Yat Tang Anthony, a member of the key management personnel	Margin account	(59)	(47)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties (Continued)

Notes:

(a) The maximum outstanding balance during the year ended 31 December 2020 was approximately HK$3,006,000 (2019: HK$1,943,000).

(b) The maximum outstanding balance during the year ended 31 December 2020 was approximately HK$644,000 (2019: HK$388,000).

(c) The maximum outstanding balance during the year ended 31 December 2020 was approximately HK$16,778,000 (2019: HK$16,350,000).

(d) The outstanding balance of cash account represents the net balance of the account at the end of the reporting period.

(iii) Compensation of key management personnel

Key management includes executive directors and senior management of the Group. The remuneration of key management during the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and other benefits in kind	**5,619**	5,557
Contributions to retirement benefit scheme	**72**	72
	5,691	5,629

The remuneration of senior management who are not the directors of the Company whose emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**2**	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. At the end of each of the reporting period, the Group did not have any borrowings and therefore, had net debt-to-equity ratio of Nil.

A subsidiary of the Group is licensed with the SFC for the business it operates in. The Group's licensed subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("**SF(FR)R**") adopted by the SFC. Under SF(FR)R, the licensed subsidiary must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. Management closely monitors, on a daily basis, the liquid capital level of the licensed subsidiary to ensure compliance with the requirements under the SF(FR)R.

The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risk associated with capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. For the licensed subsidiary, the Group ensures it will maintain a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities.

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33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	273,018	257,961
Financial assets at FVTPL		
– mandatorily measured at FVTPL	2,922	–
Financial liabilities		
Financial liabilities at amortised cost	109,155	74,436

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivables, deposits and other receivables, bank balances and cash, other assets, trade payables, other payables and accruals and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances as at and for the years ended 31 December 2020 and 2019 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate trade receivables and bank balances. However, the management considers the risk is insignificant to the Group.

Changes in market interest rates may affect the Group's securities margin financing business which is typically prime-based, and the Group mitigates this risk by revising the margin financing rate as and when appropriate. As the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have a policy on hedges of interest rate risk. However, the management monitors interest-rate exposure and will consider hedging significant interest-rate exposures should the need arise.

In virtue of the exposure on cash flow and fair value interest rate risk being minimal, the respective quantitative disclosures have not been prepared.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. The management of the Group manages this exposure by maintaining a portfolio of investments with different risks and return profiles and monitor the price risk and will consider hedging the risk exposure should the need arises.

The sensitivity analyses have been determined based on the exposure to equity price risk in respect of the listed equity securities at the reporting date. If the prices of the respective equity instruments had been 10% higher/lower, the loss before tax for the year would decrease/increase by approximately HK$292,000 (2019: NIL).

In opinion of the management, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables and bank balances.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with trade receivables from margin clients is mitigated because they are secured over each individual client's securities in their trading accounts.

In respect of cash deposited at banks, the credit risk is considered to be limited as the counterparties are reputable banks with high credit ratings. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the clients. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. When cash clients failed to settle the outstanding balances on the settlement date, the Group has the right to sell the purchased securities of the respective transaction. The Group performs impairment assessment under ECL model on trade receivables based on provision matrix or 12m ECL. In this regard, the management considers that the Group's credit risk is significantly reduced.

As at 31 December 2020, the Group's concentration of credit risk on the margin receivables from top five clients accounted for approximately 51% (2019: 82%) of the total trade receivables. The Group has closely monitored the recoverability of the advances to these clients, ensured adequate collateral is received from these clients and taken effective measures to ensure timely collection of outstanding balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Group definition of category	Basis for recognition of ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables for corporate finance services and asset management services. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. On that basis, the Group assessed that there is no loss allowance recognised during the years ended 31 December 2020 and 2019.

For the purpose of impairment assessment for other trade receivables and other receivables, the management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12m ECL method after taken into account the historical default experience, historical settlement records, collateral values as well as the loss upon default in each case and are adjusted with forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities (if necessary).

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities				
As at 31 December 2020				
Trade payables	**106,934**	**–**	**106,934**	**106,934**
Other payables and accruals	**1,265**	**–**	**1,265**	**1,265**
Lease liabilities	**959**	**–**	**959**	**956**
	109,158	**–**	**109,158**	**109,155**
As at 31 December 2019				
Trade payables	69,655	–	69,655	69,655
Other payables and accruals	1,003	–	1,003	1,003
Lease liabilities	2,878	959	3,837	3,778
	73,536	959	74,495	74,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following gives information about how the fair values of these financial assets are determined.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted market bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2020				
Financial assets at FVTPL				
Listed equity securities	2,922	–	–	2,922
	2,922	–	–	2,922

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2019, the Group did not have any assets and liabilities that were measured at the fair value measurements hierarchy.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of the Group's other financial assets and financial liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(d) Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement.

Under the agreement of continuous net settlement made between the Group and HKSCC, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC that are not to be settled on the same date, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 31 December 2020

	Gross amounts of recognised financial assets/ (liabilities) HK$'000	Gross amounts of recognised financial assets/ (liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received HK$'000	
Financial assets						
Trade receivables						
– Clearing house	9,932	(6,050)	3,882	–	–	3,882
Financial liabilities						
Trade payables						
– Clearing house	(6,338)	6,050	(288)	–	–	(288)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (Continued)

(d) Financial assets and financial liabilities offsetting (Continued)

As at 31 December 2019

	Gross amounts of recognised financial assets/ (liabilities) HK$'000	Gross amounts of recognised financial assets/ (liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Trade receivables						
– Clearing house	5,877	(4,172)	1,705	–	–	1,705
Financial liabilities						
Trade payables						
– Clearing house	(4,925)	4,172	(753)	–	–	(753)

The "net amounts of financial assets/(liabilities) presented in the consolidated statement of financial position", as set out above, represented "trade receivables and trade payables arising from dealing in securities – clearing house" in Notes 18 and 22 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	**70,426**	70,426
Current assets		
Prepayments and other receivables	**380**	296
Amounts due from subsidiaries	**72,075**	70,069
Financial assets at fair value through profit or loss	**2,922**	–
Bank balances	**7,201**	11,573
	82,578	81,938
Total assets	**153,004**	152,364
Current liabilities		
Other payables and accruals	**174**	180
	174	180
Net current assets	**82,404**	81,758
Net assets	**152,830**	152,184
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**8,000**	8,000
Reserves (Note)	**144,830**	144,184
Total equity	**152,830**	152,184

The Company's statement of financial position was approved and authorised for issue by the board of directors on 19 March 2021 and signed on its behalf by:

Pan Chik	**Kwan Chun Yee Hidulf**
Director	Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium HK$'000	**Special reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
Balance at 1 January 2019	77,179	63,825	3,188	144,192
Profit and total comprehensive income for the year	–	–	11,992	11,992
Dividends recognised as distribution during the year	–	–	(12,000)	(12,000)
Balance at 31 December 2019	77,179	63,825	3,180	144,184
Profit and total comprehensive income for the year	–	–	8,646	8,646
Dividends recognised as distribution during the year	–	–	(8,000)	(8,000)
Balance at 31 December 2020	**77,179**	**63,825**	**3,826**	**144,830**

Special reserve

Special reserve represents the difference between the total equity of Major Harvest Investments Limited acquired by the Company pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Equity interests attributable to the Group	Principal activities
Major Harvest Investments Limited	BVI	US$200	100% (direct)	Investment holding
Astrum Capital Management Limited	Hong Kong	HK$80,000,000	100% (indirect)	Provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. EVENTS AFTER THE REPORTING PERIOD

(i) On 4 January 2021, a total of 80,000,000 share options were granted to 11 eligible persons under the share option scheme of the Company adopted on 23 June 2016 to subscribe for an aggregate of 80,000,000 ordinary shares of the Company at an exercise price of HK$0.096 per share with the validity period of 5 years from the date of grant.

(ii) On 2 February 2021 (after trading hours), the Company and its operating subsidiary, Astrum Capital Management Limited (the "**Placing Agent**"), entered into a placing agreement pursuant to which the Company appointed the Placing Agent to place, on a best efforts basis and subject to the fulfillment of the condition precedent to the placing, a maximum of 160,000,000 placing shares to not less than six independent placees at a price of HK$0.083 per placing share. The condition of the placing has been fulfilled and completion of the placing took place on 24 February 2021. An aggregate of 160,000,000 placing shares have been successfully placed to not less than six independent placees at the placing price of HK$0.083 per placing share, representing (i) 20.00% of the issued share capital of the Company immediately before completion of the placing; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the 160,000,000 placing shares.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out below.

RESULTS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**47,848**	45,431	49,958	58,118	58,089
(Loss)/profit before tax	**(1,971)**	14,143	26,785	27,597	21,244
Income tax expense	**(150)**	(2,131)	(4,300)	(4,732)	(4,326)
(Loss)/profit and total comprehensive (expense)/ income for the year	**(2,121)**	12,012	22,485	22,865	16,918
(Loss)/profit and total comprehensive (expense)/ income for the year attributable to:					
Owners of the Company	**(2,121)**	12,030	22,485	22,865	16,918
Non-controlling interests	**–**	(18)	–	–	–
	(2,121)	12,012	22,485	22,865	16,918

ASSETS AND LIABILITIES

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**282,578**	263,963	226,625	266,791	356,804
Total liabilities	**(109,155)**	(80,419)	(43,094)	(93,745)	(198,623)
Total equity	**173,423**	183,544	183,531	173,046	158,181