Excalibur Global Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8350

2021
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Poon Kwok Wah Allan
(Chairman and Chief Executive Officer)
Ms. Lee Mei Chun
Ms. Choi Ching Jennifer

Independent Non-executive Directors

Mr. Chin Kam Cheung
Mr. Siu Miu Man, M.H.
Mr. Lam Ka Tai

COMPANY SECRETARY

Mr. Lo Wai Hang

AUTHORISED REPRESENTATIVES

Mr. Poon Kwok Wah Allan
Ms. Choi Ching Jennifer

MEMBERS OF AUDIT COMMITTEE

Mr. Chin Kam Cheung *(Chairman)*
Mr. Siu Miu Man, M.H.
Mr. Lam Ka Tai

MEMBERS OF REMUNERATION COMMITTEE

Mr. Lam Ka Tai *(Chairman)*
Mr. Siu Miu Man, M.H.
Mr. Chin Kam Cheung

MEMBERS OF NOMINATION COMMITTEE

Mr. Poon Kwok Wah Allan *(Chairman)*
Mr. Lam Ka Tai
Mr. Siu Miu Man, M.H.

MEMBERS OF RISK MANAGEMENT COMMITTEE

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

AUDITOR

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
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PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications Company Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

8350

WEBSITE

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CHAIRMAN'S STATEMENT

It is my pleasure to present our shareholders the annual report of Excalibur Global Financial Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"). I hereby present the overall performance and the development of the Group for the year ended 31 December 2021 (the "**Year**").

Both the financial performance of the Group and economy of Hong Kong are still highly affected by the impact of the pandemic. Number of waves of Coronavirus Disease 2019 ("**COVID-19**") infection throughout 2021 stopping the Government of the Hong Kong Special Administration Region (the "**HKSAR**") from loosening the compulsory quarantine arrangement and border control for any potential customers from the People's Republic of China (the "**PRC**") to travel to Hong Kong. The revenue of the Group remained low and further decreased from approximately HK$10.6 million recorded in the year ended 31 December 2020 (the "**Prior Year**") to approximately HK$6.6 million recorded in the Year, representing a decrease of approximately 37.8%. In order to overcome the difficult time of the Group, the management has implemented several measures including (i) development of new distribution channels and providing futures and option brokerage services to other licensed securities and futures brokers and (ii) implementing tight cost control on operational expenses.

Starting from 2022, the most recent and severe wave of COVID-19 infection outbreak in Hong Kong due to the Omicron variant, disrupt almost every sector in Hong Kong including the brokerage business. Even though various exchange markets in Hong Kong operate normally, rapid increase of infected cases, branch closure for banks and potentially lockdown measures imposed by the Government of the HKSAR cause huge impact to the operation of the Group and it is undoubtedly the most challenging situation the Group has faced since the Listing. The management has tried our best to maintain operation for both our customers, stakeholders and regulatory bodies.

Looking ahead to 2022, the Group continues to find opportunities to bring values to the shareholders and expand the revenue stream of the Group. In late January 2022, the Group completed the placement of notes amounting approximately HK$40 million as capital for the future growth of existing business and new money lending business. The management expects that this could bring a new stable stream of revenue and diversify the revenue source of the Group from just brokerage income of futures and securities trading. The Group will continue to strive to achieve a sustainable and healthy growth and long-term benefits to our shareholders by exploring different kinds of business opportunities

On behalf of the Board, I would like to close by thanking our shareholders, customers and business partners for their continued confidence and support, our board of directors, management team and every member of the dedicated staff and accounts executives for their hard work and significant contribution in the past years especially in such difficult period.

Poon Kwok Wah Allan
Chairman
Hong Kong, 30 March 2022

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of Excalibur Global Financial Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") who held office during the year ended 31 December 2021 and up to the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. POON Kwok Wah Allan, aged 60

Mr. Poon is the chairman, an executive Director and the Chief Executive Officer of the Company. He is also the chairman of the Nomination Committee and the member of the Risk Management Committee of the Company. Mr. Poon was appointed as Director in 2016 and was then redesignated as executive Director, and appointed as the chairman of the Board and Chief Executive Officer of the Company in February 2017. He joined the Group in 2000 as the general manager of Excalibur Global Financial Group Limited ("**Excalibur Global HK**"), the key operating subsidiary of the Company. Mr. Poon is responsible for the overall strategic planning, business development and operational management of the Group. Mr. Poon has over 26 years of experience in the securities and futures brokerage business, which included leading business development as well as acting as a consultant in licensed corporations. He is also a compliance officer and an authorised representative of the Company and is a responsible officer of Excalibur Global HK responsible for supervising each of its regulated activities.

Ms. LEE Mei Chun, aged 60

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

Ms. CHOI Ching Jennifer, aged 30

Ms. Choi is an executive Director of the Company. She was appointed as executive Director in June 2021. Ms. Choi was employed by W&W Wealth Management Limited from May 2015 to January 2021 with the last position as a Vice President (investment marketing and communications). She has been involved in China investment and asset management process and was responsible for analyzing investments including equities and identifying and analyzing potential market risks and opportunities. She also provided guidance on establishing and promoting investment, funds, money lending and securities business in China market. Ms. Choi obtained her Bachelor of Arts (Honours) degree in Public Relations and Advertising from Hong Kong Baptist University in November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIN Kam Cheung, aged 64

Mr. Chin is an independent non-executive Director, the chairman of the Audit Committee and the member of the Remuneration Committee of the Company. He joined the Group and was appointed as an independent non-executive Director of the Company in December 2017. Mr. Chin has over 33 years of experience in accounting, financial management and auditing profession industry. He is currently a practicing accountant in Hong Kong and has been serving as an independent non-executive Director at Jiahua Stores Holdings Limited since April 2007. Mr. Chin is a fellow member of the Chartered Institute of Management Accountants since November 1993, and has been admitted as an associate of the Institute of Cost and Management Accountants since September 1986. Mr. Chin is currently a registered Certified Public Accountant with the Hong Kong Institute of Certified Public Accountants.

Mr. SIU Miu Man, M.H., aged 64

Mr. Siu is an independent non-executive Director, and the chairman of the Risk Management Committee, the member of the Remuneration Committee, the member of the Audit Committee and the member of the Nomination Committee of the Company. He joined the Group and was appointed as an independent non-executive Director in December 2017. Mr. Siu has over 29 years of managerial experience in various listed companies. Mr. Siu has been an associate of the Chartered Institute of Arbitrators since November 1984, a professional associate of Royal Institution of Chartered Surveyors since January 1985, an associate of the Hong Kong Institute of Surveyors since March 1986 and a member of the Hong Kong Institute of Engineers since March 1989. He has also been an Authorised Person (List of Surveyors) since 1999, a Registered Professional Surveyor (General Practice Stream) since January 2002 and a Registered Professional Engineer (Building Stream) since May 2000. Mr. Siu was appointed as an independent non-executive director of Value Convergence Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 821), since October 2016 and a director of DBG Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300735), since December 2017. Mr. Siu is awarded M.H. in recognition of his dedicated community service to Kowloon City by HKSAR on 1 July 2019.

Mr. LAM Ka Tai, aged 65

Mr. Lam is an independent non-executive Director of the Company. He is also the chairman of the Remuneration Committee and the member of the Audit Committee and Nomination Committee of the Company respectively. He was appointed as independent non-executive Director in June 2021. Mr. Lam was the Chief Strategy Officer of AMTD Group from October 2017 to December 2019. Prior to joining AMTD Group, he worked in the Government of the Hong Kong Special Administrative Region for the period from May 1987 to November 2017 with the last position as an Assistant Commissioner of Insurance (General Business), and Ernst and Young for the period from July 1980 to May 1987 with the last position as an Assistant Manager. Mr. Lam has extensive experience in financial services. Mr. Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants, Fellow of the Association of Chartered Certified Accountants (UK) and Fellow of the Chartered Insurance Institute (UK). He also obtained an Executive Master of Business Administration from the Chinese University of Hong Kong in 2000.

SENIOR MANAGEMENT

Mr. LO Wai Hang, aged 37

Mr. Lo has been the Group's Financial Controller since September 2016. Mr. Lo joined the Group in October 2015 and is mainly responsible for the Group's financial analysis and financial statements preparation, implementing internal control procedures and preparing daily and monthly financial reports to regulatory bodies. He has over 13 years of experience in financial accounting. Mr. Lo has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011.

Mr. YU Kin Sing, Sting, aged 49

Mr. Yu has been the Group's Head of Sales and Marketing since August 2016. He joined the Group in January 2002 as the representative for the Group's type 1 (dealing in securities) regulated activity and the responsible officer for type 2 (dealing in futures contracts) regulated activity and is mainly responsible for supervising daily securities, stock options and futures operations of the Group. Mr. Yu has over 19 years in the futures industry.

Mr. WONG Man Ting, Edwin, aged 35

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

COMPANY SECRETARY

Mr. LO Wai Hang, aged 37

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year ended 31 December 2021 (the "**Year**"), revenue of the Group amounted to approximately HK$6.6 million, representing a sharp decrease of approximately 37.8% from approximately HK$10.6 million for the year ended 31 December 2020 (the "**Prior Year**"). Such drop was mainly driven by the decrease in brokerage revenue from future markets due to poor market condition in both Hong Kong and overseas markets.

In 2021, continuation of compulsory quarantine arrangement for the non-Hong Kong resident was still the biggest hurdle for the potential customers from the People's Republic of China ("**PRC**") to complete the account opening procedures. Even though the Group has implemented several initiatives to minimise such decrease in the customers from the PRC since mid-2020, the total revenue was still highly affected in the Year.

The Group recorded a loss of approximately HK$20.2 million for the Year, as compared with the loss of approximately HK$21.7 million for the Prior Year. Net loss attributable to equity shareholders of the Company amounted to approximately HK$20.2 million for the Year, compared with the loss of approximately HK$21.7 million for the Prior Year. The decrease in loss attributable to equity shareholders of the Company was mainly due to (i) decrease in staff cost as there was one-off bonus amounted HK$2.0 million paid to executive Directors in the Prior Year and (ii) decrease in other operating and administrative expenses by approximately HK$8.5 million mainly due to decrease in marketing expenses; partly offset by (i) decrease in revenue by approximately HK$4.0 million ; (ii) one-off impairment loss on property and equipment/right-of-use assets/intangible assets by approximately HK$3.6 million for the Year; and (iii) decrease in other income by approximately HK2.2 million as there was one-off government grant relating to Employment Support Scheme amounted to approximately HK$1.1 million and one-off operating lease income from the co-tenant of the office of the Group amounted to approximately HK$0.8 million for the Prior Year. The basic and diluted losses per share of the Company for the Year was approximately HK2.52 cents as compared with the basic and diluted losses per share of approximately HK2.72 cents for the Prior Year.

Revenue

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

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

	Year ended 31 December 2021		Year ended 31 December 2020		(Decrement)/Increment	
	HK$'000	**% of total**	HK$'000	% of total	HK$'000	%
Brokerage commission income derived from:						
Future and options trading business						
– Hong Kong market	**2,989**	**45.3**	4,552	42.9	(1,563)	(34.3)
– Overseas markets	**3,028**	**45.9**	5,239	49.3	(2,211)	(42.2)
Sub-total	**6,017**	**91.2**	9,791	92.2	(3,774)	(38.5)
Stock options trading business	**234**	**3.5**	183	1.7	51	27.9
Securities trading business	**165**	**2.5**	111	1.1	54	48.6
Revenue from contracts with customers	**6,416**	**97.2**	10,085	95.0	(3,669)	(36.4)
Interest income under effective interest method (derived from margin financing)	**187**	**2.8**	536	5.0	(349)	(65.1)
	6,603	**100.0**	10,621	100.0	(4,018)	(37.8)

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

Market	**Year ended 31 December 2021 HK$'000**	**% of total**	Year ended 31 December 2020 HK$'000	% of total	(Decrement)/Increment HK$'000	%
Index futures and options	**4,066**	**67.6**	6,554	66.9	(2,488)	(38.0)
Precious metal futures	**921**	**15.3**	1,736	17.7	(815)	(46.9)
Energy futures	**550**	**9.1**	1,232	12.6	(682)	(55.4)
Industrial metal futures	**373**	**6.2**	222	2.3	151	68.0
Agricultural futures	**90**	**1.5**	21	0.2	69	328.6
Other futures	**17**	**0.3**	26	0.3	(9)	(34.6)
	6,017	**100.0**	9,791	100.0	(3,774)	(38.5)

There was a sharp decrease in the commission received from futures and options trading for most types of products. The decrement of commission received ranged from approximately 34.6% to approximately 55.4% for most product types except for industrial metal futures and agricultural futures, which increased by approximately 68.0% and 328.6% respectively. Management believed that the decrease of commission received was mainly due to the decrease in active clients from the PRC because of decrease in trading volume from the existing customers.

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

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

Product category	**Year ended 31 December 2021**		Year ended 31 December 2020	
	Gross commission HK$ (Note 1)	**Net commission** HK$ (Note 2)	Gross commission HK$ (Note 1)	Net commission HK$ (Note 2)
Mini HSI Futures	**7.2**	**7.2**	8.2	8.2
HSI Futures	**12.4**	**12.4**	19.3	19.3
HSI Options	**20.5**	**20.5**	17.5	17.5
Gold Futures	**54.8**	**39.7**	(Note 3)	
Light Crude Oil Futures	**41.5**	**26.2**	44.7	29.3
Mini Sized Dow Jones Futures	**(Note 3)**		69.9	57.0

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

(2) "Net commission" refers to the amount of fees which were received by the Group in respect of each executed transaction facilitated through the Group exclusive of the fees mentioned in Note 1.

(3) The information is not presented as the products are not top five futures and options contracts traded in that year.

There was a general decrease in both net commission and gross commission for majority of the top five futures and options contracts traded through the Group during the Year. This was mainly due to change in customer base and more competitive environment which drive down the average commission income in the Year.

As at 31 December 2021, the Group has 286 active clients (i.e. have executed at least one trade in the past twelve months period), which represents a slight decrease of approximately 6.5% compared to 306 active clients as at 31 December 2020. There was a slight decrease of active clients as some of the customer from the PRC ceased trading in future and stock option contracts. The Group's business strategy is to target high net wealth clients who could generate high revenue to the Group. The management does not treat the number of active clients as a clear indicator of the business performance.

Other net income

For the Year, the Group's other net income amounted to approximately HK$0.3 million, compared to approximately HK$2.5 million for the Prior Year. Such significant decrease was mainly due to one-off government grants from the Government of the HKSAR relating to Employment Support Scheme amounted to approximately HK$1.1 million recorded in Prior Year (2021: HK$Nil) and the rental income from the co-tenant of the office of the Group amounted to approximately HK$0.8 million recorded in Prior Year (2021: HK$Nil).

Staff costs and remuneration policies

As at 31 December 2021, the Group engaged a total of 16 employees (2020: 19) including the executive Directors. For the Year, the total staff costs amounted to approximately HK$7.6 million (2020: approximately HK$10.4 million). The decrease of total staff cost during the Year as (i) no bonus paid to executive Directors in the Year (2020: HK$2.0 million); and (ii) the Group has dismissed several staff to save cost. Remuneration (including employees' benefit) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

Other operating and administrative expenses

For the Year, the Group's other operating and administrative expenses ("**G&A expenses**") amounted to approximately HK$17.9 million, representing a decrease of approximately 32.2% from approximately HK$26.4 million for the Prior Year. Several key expenses items being included in this category are discussed below:

(a) Depreciation of right-of-use assets (accounts for approximately 22.4% of G&A expenses)

The depreciation of right-of-use assets increased from approximately HK$3.5 million in the Prior Year to approximately HK$4.0 million in the Year. The Group has entered into new rental contract in late 2021 which leads to slight increase in depreciation of right-of-use assets.

(b) IT and communications expenses (accounts for approximately 20.9% of G&A expenses)

In the Year, IT and communication expenses (including service fee paid to our trading software vendor and other trade-related services) of the Group were approximately HK$3.7 million, which represents a decrease of approximately 16.4% compared to approximately HK$4.5 million recorded in the Prior Year.

Such expenses comprised with fixed costs (including network fee or licensing fee for the system) and variable costs with directly proportional to transactions executed through the Group. Hence, the decrease in trade volume in the Year leads to the decrease of such expenses.

(c) Marketing expenses (accounts for approximately 19.4% of G&A expenses)

In the Year, the Group incurred approximately HK$3.5 million for marketing expenses, is represents a sharp decrease by approximately HK$7.6 million compared to Prior Year. The decline was due to the Group has ceased certain marketing initiatives during the Year in light of changing market environments.

Income tax credit

In the Year, the Group incurred approximately HK$2.9 million of tax credit for the Year, represents a slight decrease of approximately 2.0% from approximately HK$3.0 million for the Prior Year. Majority of the deferred tax recognised for the Year was due to the tax loss incurred in the Year.

Accounts receivable arising from ordinary course of business

The accounts receivable decreased from approximately HK$31.3 million as at 31 December 2020 to approximately HK$23.0 million as at 31 December 2021. The balance of accounts receivable are mainly placed in the clearing houses and overseas brokers, and the margin loan being provided to our margin clients. Such decrease in accounts receivable was mainly attributable to the decrease receivable from clearing houses as the open position opened as at 31 December 2021 was lower than that of 31 December 2020.

The Group assesses the counterparty risk of the clearing houses and overseas brokers on a regular basis and the management considered that such risk is very low. For the margin loan provided to our clients, as the balance is fully covered by the collateral provided by these clients, the management considered that the recovery risk of these balances is low.

Liquidity and financial resources

The Group's principal source of funds was cash generated from operations accumulated over the previous years and borrowing from bank. The Group recorded net current assets of approximately HK$8.2 million as at 31 December 2021, compared to the net current assets of approximately HK$16.9 million as at 31 December 2020. Such decrease was mainly due to the loss recognised in the Year, offset by increase of long-term bank borrowing during the Year. As at 31 December 2021, the Group had cash and cash equivalent of approximately HK$5.6 million.

Capital structure

As at 31 December 2021, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of bank borrowings, lease liabilities and equity attributable to owners of the Group, comprising issued share capital, share premium, accumulated losses and other reserves. All bank borrowings are repayable beyond one year from the year end date.

RISK MANAGEMENT

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

Operational risk

The Group's revenue is highly concentrated on several key customers. In the Year, revenue attributable to the largest and 5 largest customers of the Group accounted for approximately 18.4% and 46.8% of the Group's total revenue for the Year, respectively. Among the 5 largest customers, they averagely have approximately 8.2 years of relationship with the Group, ranging from 2 to 19 years. The Group continued to target those clients with high net worth requiring premium trading service as management believed that this direction could bring higher return for the shareholders of the Company.

Credit risk

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

Liquidity risk

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

Foreign currency risk

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

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

Business plan as set out in the Prospectus	Progress up to the date of this annual report
Strengthen the Group's position in the futures market by enhancing the marketing resources in the PRC	The Group has slowed down its development in Qianhai office as the economic situation of the PRC is unclear during the COVID-19 pandemic. The Group has reverted to conducted other more cost effective marketing initiatives during the Year.
Establish and commence the stock and stock options business	The Group has already received approval from the SFC and the Stock Exchange and the stock and stock options business commenced on 1 February 2019
Enhance the IT capability of the Group	The Group has enhanced its IT capabilities to improve the operational effectiveness of all departments in case of remote working under the pandemic and engaged new system vendors for its futures business
Expand the manpower for providing more customised client services and to strengthen the compliance and operational and accounting capabilities	The Group has hired staff with high caliber in operation for the core and potential new business of the Group in second half of the Year to improve the business performance of the Group.

USE OF PROCEEDS

Net proceeds from the issue of new shares of the Company through the share offering of 200,000,000 ordinary shares of HK$0.01 each in share capital of the Company at the price of HK$0.40 per share (the "**Share Offer**"), after deducting all listing expenses in connection therewith, were approximately HK$46.5 million. The utilisation of net proceeds as at 31 December 2021 is set out below:

	Total planned amount to be used HK$' million	Actual amount utilised up to 31 December 2021 HK$' million	Actual balance as at 31 December 2021 HK$' million	Expected timeline of the full utilisation of unutilised net proceeds from the Listing
Strengthen the Group's position in the futures market by enhancing the marketing resources in the PRC	**20.7**	**20.7** (Note 1)	–	–
Establish and commence the stock and stock options business	**13.2**	**13.2** (Note 2)	–	–
Enhance the IT capability of the Group	**6.8**	**5.1**	**1.7**	**end of June 2022**
Expand the manpower for providing more customised client services and to strengthen the compliance and operational and accounting capabilities	**5.8**	**3.8**	**2.0**	**end of June 2022**
	46.5	**42.8**	**3.7**	

Note:

(1) Includes deposits paid to vendor on the IT infrastructure in Qianhai office and marketing expenses incurred up to 31 December 2021.

(2) Includes working capital for providing securities margin financing to the customers.

The difference of approximately HK$3.7 million between the planned use of proceeds of approximately HK$46.5 million and the actual amount utilised up to 31 December 2021 of approximately HK$42.8 million was mainly due to the fact that the Group has delayed the planned enhancement and expansion due to an unclear economic environment. Starting from mid-2021, the Group has resumed the enhancement of our IT and operation infrastructure to minimise the operation disruption for remote working and achieve the operational resilience during the difficult time in the pandemic. Being stated in the announcement dated 19 August 2021, the Group expected that all unutilised net proceeds from the Listing will be utilised by the end of June 2022.

BUSINESS PLAN

In view of the deteriorating business performance, the Group has detailed out a business plan for the next 24 months being stated in the announcement dated 25 October 2021 in order to improve the financial performance. The plan included the increase in revenue by (i) diversification of product base and service offerings to our existing customers; (ii) development of new distribution channels and provision of futures and options brokerage services to other licensed securities and futures brokers and (iii) establishment of new financing channel to increase the securities margin financing line, together with controlling of the Group's expenses.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

Throughout the year ended 31 December 2021, the Company has complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings during the year ended 31 December 2021.

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Poon Kwok Wah Allan *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee and member of the Risk Management Committee)*
Ms. Choi Ching Jennifer
Ms. Lee Mei Chun *(Member of the Risk Management Committee)*

Independent Non-executive Directors:

Mr. Chin Kam Cheung *(Chairman of the Audit Committee and member of the Remuneration Committee)*
Mr. Lam Ka Tai *(Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)*
Mr. Siu Miu Man, M. H. *(Chairman of the Risk Management Committee, and member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

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

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

Chairman and Chief Executive Officer

Code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

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

Independent Non-executive Directors

During the year ended 31 December 2021, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company ("**AGM**"). Under the Articles of Association of the Company ("**Articles**"), at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

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

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

Each of the Directors is subject to re-election at the AGM after his appointment pursuant to the Articles. The term of offices of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

The Directors have participated in the following trainings during the year ended 31 December 2021:

	Types of training
Executive Directors	
Mr. Poon Kwok Wah Allan	A, B
Mr. Chan Ying Leung (Note 1)	A, B
Ms. Choi Ching Jennifer (Note 2)	A, B
Ms. Lee Mei Chun	A, B
Independent Non-executive Directors	
Mr. Chin Kam Cheung	A, B
Mr. Ang Wayne Wu-yee (Note 3)	A, B
Mr. Lam Ka Tai (Note 4)	A, B
Mr. Siu Miu Man, M. H.	A, B

Note:

1. Mr. Chan Ying Leung retired as an executive Director with effect from 10 June 2021.

2. Ms. Choi Ching Jennifer was appointed as an executive Director with effect from 10 June 2021.

3. Mr. Ang Wayne Wu-yee retired as an independent non-executive Director with effect from 10 June 2021.

4. Mr. Lam Kai Tai was appointed as an independent non-executive Director with effect from 10 June 2021.

Types of Training

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

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

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

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

Audit Committee

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

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

During the year ended 31 December 2021, the Audit Committee held five meetings to assess the independence of the Company's auditor; to review the risk management and internal control systems, the Group's annual financial results and report for the year ended 31 December 2020, the Group's quarterly financial results and report for the three months ended 31 March 2021 and nine months ended 30 September 2021 respectively, and the Group's interim financial results and report for the six months ended 30 June 2021 before submission to the Board for approval.

The Audit Committee also met with the external auditors twice during the year ended 31 December 2021.

Remuneration Committee

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

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Lam Ka Tai, Mr. Chin Kam Cheung and Mr. Siu Miu Man, M. H.. Mr. Lam Ka Tai has been appointed as the chairman of the Remuneration Committee.

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

During the year ended 31 December 2021, the Remuneration Committee held two meetings to review and recommend the remuneration of directors and senior management, and to recommend the 2021 salary adjustment rates for the Group's employees.

Nomination Committee

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

The Nomination Committee comprises one executive Director, Mr. Poon Kwok Wah Allan, and two independent non-executive Directors, Mr. Lam Ka Tai and Mr. Siu Miu Man, M. H.. Mr. Poon Kwok Wah Allan has been appointed as the chairman of the Nomination Committee.

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

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

During the year ended 31 December 2021, the Nomination Committee held one meeting to review the Board Diversity Policy and the independence of the independent non-executive Directors, and to consider and recommend to the Board on the re-election of Directors at the forthcoming AGM of the Company.

Risk Management Committee

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

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

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

During the year ended 31 December 2021, no Risk Management Committee meeting was held and the Board had reviewed the risk management, internal control systems and the overall risk management policies and procedures of the Group.

Board Diversity Policy

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

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

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

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

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

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

Director Nomination Policy

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

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

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

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 (which has been re-numbered as code provision A.2.1 since 1 January 2022) of the CG Code.

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

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

The remuneration bands of the members of senior management who are not Directors of the Company for the year ended 31 December 2021 are as follows:

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr. Poon Kwok Wah Allan	5/5	N/A	N/A	1/1	1/1
Mr. Chan Ying Leung (Note 1)	2/2	N/A	N/A	N/A	1/1
Ms. Choi Ching Jennifer (Note 2)	3/3	N/A	N/A	N/A	1/1
Ms. Lee Mei Chun	5/5	N/A	N/A	N/A	0/1
Mr. Chin Kam Cheung	5/5	5/5	2/2	N/A	1/1
Mr. Ang Wayne Wu-yee (Note 3)	2/2	3/3	2/2	1/1	1/1
Mr. Lam Kai Tai (Note 4)	3/3	2/2	N/A	N/A	0/1
Mr. Siu Miu Man, M. H.	5/5	5/5	2/2	1/1	1/1

Note:

1. Mr. Chan Ying Leung retired as an executive Director with effect from 10 June 2021.

2. Ms. Choi Ching Jennifer was appointed as an executive Director with effect from 10 June 2021.

3. Mr. Ang Wayne Wu-yee retired as an independent non-executive Director with effect from 10 June 2021.

4. Mr. Lam Kai Tai was appointed as an independent non-executive Director with effect from 10 June 2021.

Five regular Board meetings were held during the year ended 31 December 2021.

Code provision A.2.7 (which has been re-numbered as code provision C.2.7 since 1 January 2022) of the CG Code has been revised to require that the chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other Directors. Arrangements have been made for compliance with the revised code provision which took effect from 1 January 2019. Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Group is exposed to various types of risks for the year ended 31 December 2021. These risks are set out under "Risk Management" in the section headed "Management Discussion and Analysis" of this annual report.

During the year ended 31 December 2021, the Board, as supported by the Audit Committee, the compliance officers and the independent internal control consultant providing the internal audit function, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The report of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 46 to 50 of this annual report.

AUDITOR'S REMUNERATION

Asian Alliance (HK) CPA Limited ("**Asian Alliance**") is appointed as the external auditor of the Company.

During the year ended 31 December 2021, the total fees paid/payable in respect of audit services provided by Asian Alliance and CCT & Partners CPA Limited are set out below:

Services rendered to the Company	Fees paid and payable HK$
Audit services:	
2021 annual audit	210,000
– Asian Alliance	
2021 statutory audit for subsidiaries of the Company	
– Asian Alliance	273,000
– CCT & Partners CPA Limited	6,800

COMPANY SECRETARY

The Board appointed Mr. Lo Wai Hang as the company secretary in compliance with the requirements of the GEM Listing Rules. Mr. Lo has confirmed that for the year ended 31 December 2021, he has taken no less than 15 hours of relevant professional training.

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

SHAREHOLDERS' RIGHTS

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

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

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

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Unit 3711, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, for the attention of the Chairman of the Board.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

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

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

Address: Unit 3711, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong
(For the attention of the Board of Directors)
Email: cs@excalibur.com.hk
Fax: (852) 2526-0618

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 December 2021. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

POLICIES RELATING TO SHAREHOLDERS

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

Excalibur Global Financial Holdings Limited (hereinafter referred to as the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") is committed towards sustainability and understands the importance of sustainable development of its business and community. This Environmental, Social and Governance report (the "**ESG Report**") discloses the Group's policies and practices for its commitment to sustainable development. As a platform for communication with all stakeholders, the ESG Report also makes responses to the major expectations of all stakeholders in efforts to facilitate mutual understandings.

The principal activities of the Group are futures and options, stock options and securities broking and margin financing business.

Reporting Boundary

The ESG Report covers environmental and social performance of the core business of the Group in Hong Kong. Unless otherwise stated, the ESG Report covers specific ESG policies and performance from 1 January 2021 to 31 December 2021 (the "**Year**") and is consistent with the annual report.

Preparation Basis

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the preparation for this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as the following:

- "Materiality" – The materiality assessment detailed under the section headed "Stakeholder Engagement and Materiality Assessment" has ensured the ESG Report addresses the most material ESG topics pertaining to our businesses.

- "Quantitative" – Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.

- "Consistency" – Whenever deemed material, the ESG Report details the standards, tools, assumptions and/or source of conversion factors used, as well as explanations of any inconsistencies to previous reports.

For the Group's corporate governance practices, please refer to pages 14 to 24 for the section "Corporate Governance Report" contained in this annual report.

Board Statement – ESG Governance Structure

The Board is pleased to present the ESG Report of the Group in accordance with the ESG Reporting Guide published by the Stock Exchange, as contained in Appendix 20 to the GEM Listing Rules. The Group has fully embraced social responsibility as our contribution to address the ESG requirements and challenges society faces and implemented several significant initiatives relating to environmental protection, employment and labour practices, operating practices, and community investment.

We consider ESG commitment as a part of our corporate social responsibility and we will consider ESG into our decision-making process. To achieve this, we have developed a core governance framework to ensure the alignment of ESG governance with our strategic growth, while advocating ESG integration into our business operations. The structure of our corporate social responsibility is divided into two components, namely the board of directors (the "**Board**") and an ESG working group.

The Board holds the ultimate responsibility on monitoring the Group's ESG issues, including ESG management approach, strategy, and policies. To better manage the Group's ESG performance and identify potential risks, the Board conducts regular materiality assessment with the assistance of the ESG working group to evaluate and prioritize material ESG-related issues with reference to the opinions of our stakeholders.

The ESG working group, composing of core members from top management, is established to facilitates the Board's oversight of ESG matters. The ESG working group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG working group arranges regular meetings to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions to improve the overall performance of ESG policies. At meetings, the ESG working group discussed the existing and upcoming plans to monitor and manage the Group's strategic goals in terms of sustainable development, mitigate potential risks, and minimize their negative impacts on our business operations. By setting ESG-related goals and targets to minimize the environmental impacts from the Group's operation, the Group affirmed its commitment in embedding sustainability into the business operation and fulfil its corporate responsibility. The ESG working group reports to the Board periodically, assist in assessing and identifying the Group ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanism, and review the progress of the set goals and targets.

Stakeholder Engagement and Materiality Assessment

The Group attaches great importance to multi-channel interaction with the stakeholders. The Group respects employee diversity and develops a competitive compensation system and prospective career path and training for employees. The Group is committed to making proactive efforts to continuously interact with key stakeholder groups, which comprise its Stock Exchange, government and regulatory bodies, clients, employees, investors, shareholders, service providers, and the community. The Group maintains active engagement with its stakeholders and collects their feedback through various communication channels to understand and address their concerns.

Social media accounts have been established in several social media platform to strengthen the communication between the Company and its stakeholders. The Group will increase stakeholders' engagement via general meetings, corporate websites, and constructive dialogue, with a view to driving long-term prosperity.

The Group believes that sound ESG performance is important to the Group's sustainable business development and community. The Group is committed to protecting and improving the ecological environment and social factors and minimizing the impact of its activities on the environment. Throughout the stakeholder engagement exercise, the Group's management have assisted the Board to review its operations, identify key ESG issues and assess the importance of these issues to its businesses and stakeholders. It is the Group's policy to promote green operation, thereby gradually achieving the coordinated development of the Group, the environment, and the society. All identified material ESG issues, including environmental protection, employment and labour practices, product responsibility, and community investment, have been disclosed in the ESG Report. The Group will keep creating value for stakeholders and supporting charities and environmental protection.

Information and Feedback

For detailed information about environmental and corporate governance, please refer to the annual report of the Group. Your opinions will be highly valued by the Group. If you have any advice or suggestions, please feel free to contact us by:

Tel: (852) 2526-0388
Fax: (852) 2526-0618
Website: www.excalibur.com.hk

ENVIRONMENTAL PROTECTION

Due to business nature of the Group, The Group does not involve any significant impact on nature resources. However, the Group executes practices that improve energy efficiency, conserves resources for its operation and raises environmental awareness for our employees. The key environmental impacts from the Group's operations related to energy and paper consumption. To achieve environment protection, the Group focuses on paper and toner usage throughout all our operation and has always been devoted to reducing energy consumption.

During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations in Hong Kong relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Such relevant laws and regulations include but not limited to the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong) and the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong).

Air Emissions

Due to the Group's business nature, no significant exhaust gas emissions are involved during daily operations.

The consumption of electricity at the office is the major sources of GHG emissions of the Group. To reduce the carbon footprint at the office, the Group is endeavouring to increase investment in energy-efficient equipment and monitor the energy usage monthly. Moreover, the Group encourages employees to switch off all computers and office equipment, electrical and air-conditioner at the end of each working day and set the room temperature of air conditioner to 25.5°C. As the Group does not owns or operate any machineries including vehicles that consume fossil fuel such as petrol and diesel, no significant direct GHG emissions (Scope 1) are involved. The Group also encourages employees to use public transportation instead of private vehicles and encourages them to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. During the Year, the Group set a target of maintaining or reducing the total GHG emissions intensity (tCO_2e/employee) in the next 3 years compared to the Year.

Below table outlines the GHG emission data during the Year and 2020.

	2021	2020
Carbon emission (Scope 2 only)[1] (tCO_2e)	**90**	86
Carbon intensity (tCO_2e/m^2 floor area)[2]	**0.23**	0.23

Note:

1) We currently account for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the Sustainability Reports published by HK Electric, the carbon footprint per kWh of electricity sold in 2020 was 0.71kg.

2) As all carbon emissions are based on our office usage; thus, the floor area refers to the Group's own office only.

Waste Management

The Group adheres to the waste management principle and strives to effectively manage and dispose of waste produced by our business activities. Our waste management practices have complied with relevant laws and regulations relating to environmental protection. The Group adopts a policy for using of electronic documents instead of traditional paper usage apart from those required by regulatory bodies.

Due to the Group's business nature, no significant amount of hazardous waste is generated during daily operation. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle the same in order to comply with the relevant environmental laws and regulations.

The non-hazardous waste generated by the Group's operations mainly consist of paper. To build a paperless workplace, the Group encourages staff to shift to electronic documents or scanning to reduce paper consumption. Staff are encouraged to print documents double sided, reuse papers on both sides, send documents and greetings through electronic means such as by telephone, email, and other communication software, as well as to recycle documents when they are no longer necessary. We are also encouraging our clients to receive e-statements instead of physical statements to minimise the paper used. During the Year, the Group sets a target of maintaining or reducing the total non-hazardous wates by 10% in the next 10 years compared to the Year.

Below table outlines our non-hazardous waste generation data during the Year and 2020:

	2021	2020
Paper (in kg)	**525**	525
Food waste (in kg)	**400**	N/A[1]
Total	**925**	525
Intensity (kg/m^2 floor area)[2]	**2.46**	1.33

Note:

1) The data on food waste in previous year was not reported.

2) As all the non-hazardous wastes was generated within the office area; thus the floor area refers to the Group's own office only.

Use of Resources

Energy saving is important for all times and is the most critical means for the Group to continuously reduce greenhouse gas and carbon emissions. The Group has established relevant policies and procedures governing the use of energy and water to achieve higher efficiency and reduce unnecessary use of resources. While the Group will continue to improve energy saving for office, our focus is on existing air-conditioning and computer equipment and its infrastructure.

1) Energy Management

The Group's daily operations mainly consume electricity. The Group aims to minimise the environmental impacts that resulted from our operations by identifying and adopting appropriate measures. Energy measures and practices have been developed to show our commitment to improve energy efficiency. Employees are reminded to turn off all lights, air-conditioners, and electrical equipment before leaving the office. Air-conditioning is maintained at 25.5°C for energy saving. As the Group does not own or operate any machineries including vehicles using the consume fossil fuel such as petrol and diesel, no significant direct energy consumption is involved. During the Year, the Group set a target of maintaining or reducing the total energy consumption intensity (kWh/employee) in the next 3 years compared to the Year.

	2021	2020
Electricity consumption (kWh)	**101,002**	96,581
Electricity consumption intensity (kWh/m^2 floor area)[1]	**0.23**	0.23
Electricity consumption intensity (kWh/employee)	**6,313**	5,083

Note:

1) As all carbon emissions are based on our office usage; thus, the floor area refers to the Group's own office only.

2) Water Management

Although the water consumption of the Group is limited to basic cleaning and sanitation in the office, the Group still promotes behavioural changes in the office and has taken regular inspection to prevent water leakage. Pantry is posted with environmental messages to remind employees of water conservation. Moreover, the Group requires employees to turn off the tap when not in use and report leaking faucet or pipe to the relevant authority in a timely manner.

As the water supply and drainage facilities of our offices are managed by the property management company of Group's rented premise, the Group was unable to access water consumption record during the Year. Due to the business nature and operating locations, the Group does not encounter any significant issue in sourcing water that is fit for purpose. During the Year, the Group set a target of further promote the employees' awareness on water conservation by implementing additional measures in the coming 3 years.

3) Use of Packaging Materials

Due to the business nature, the Group does not consume a significant amount of product packaging materials as the Group does not have any industrial productions nor any manufacturing facilities

The Environment and Natural Resources

The Group pursues the best practices in environmental protection and focuses on the impact of its businesses on the environment and natural resources. Due to the Group's business nature, its impact on natural resources is limited. In addition to complying with the relevant environmental laws and regulations as well as properly preserving the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with an aim of achieving environmental sustainability.

The Group recognises the responsibility in minimising the negative environmental impacts of its operations in achieving sustainable development to generate long term values to its stakeholders and community. It carries out continuous monitoring on whether the business operations cause any potential impact on the environment and minimizes such impact to the environment through promoting green office. Where applicable, the Group adopts green purchasing strategies to protect natural resources.

Climate Change

Awareness over climate change continues to grow and is one of the most discussed topics among nations and countries. The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential impact of climate change on our business and operations and is committed to managing the potential climate-related risks which may impact the Group's business activities. In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group has implemented risk management exercise in identifying and mitigating climate-related risks.

1) Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rains, and extreme cold or heat bring acute and chronic physical risks to the Group's business. The Group's productivity will be reduced under extreme weather events as the safety of our employees is threatened and the power grid or communication infrastructures might be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to direct negative impact on the Group's revenue.

To minimise the potential risks and hazards affected the region, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions. The Group will explore emergency plan to further reduce the vulnerability of our installations to extreme weather events in order to enhance business stability

2) Transition Risks

To achieve the global vision on carbon neutrality, the Group expects evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies and listing rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including GHG reduction measures, has set targets to gradually reduce the Group's energy consumption and GHG emissions in the future.

EMPLOYMENT AND LABOR PRACTICES

The Group promotes the corporate culture of "people -first" as talents are the most important assets. The Group is committed to creating a healthy and safe working environment for each employee and providing training and development for them. The Group continuously treats all employees equally in respect of recruitment, training and development, promotion, and welfare. All discrimination on gender, ethnic background, religion, and colour are prohibited. The Group strongly believes that diversity in our workforce brings more benefits to the Group and strives to create a diverse and intricately connected workforce as combining diverse cultures can bring us more ideas and innovations.

Employment

Employees are the most valuable asset of the Group. The Group strives to provide a pleasant and healthy workplace for our employees. The Group cares for our employees and recognize that having good staff relations and a motivated workplace play a vital role in the Group's efficient operation. In order to fully develop staff competence and potential, the Group has an Employee Handbook that ensure each staff understand the policy of the Group. Our Employee Handbook highlights general information about the Group and policies relating to staff employment. The contents of our Employee Handbook are subject to periodic review and changes will be notified by internal memorandum.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Employment Ordinance (Cap. 57, Laws of Hong Kong) and the Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong).

Workforce Diversity

As at 31 December 2021, the Group had employed total 16 staff in Hong Kong (2020: total 19 staff). Total workforce by gender, age group, employment type and geographical region is as follows:

Breakdown by gender	
Female	5
Male	11
Breakdowns by age	
21 - 30	1
31 - 40	8
41 - 50	0
Over 50	7
Breakdowns by employment category	
Full time	16
Breakdowns by Geographic location	
Hong Kong	16

To offer equal opportunities to its employees to attract and retain talent, the Group is committed to being an equal opportunity employer and does not discriminate based on personal characteristics, gender, or age. Regardless of race, sex, colour, age, family background, ethnic tradition, religion, physical fitness and nationality, the Group provides its employees with equal opportunities in terms of recruitment, training and development, compensation, welfare, and benefits, as well as promotion to enhance their personal and career development. The Group establishes and implements policies that promote a harmonious and respectful workplace. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace.

Recruitment, Promotion and Dismissal

Employees' qualification, professional skills and experiences exert a significant influence on the quality of services. In line with the need of business development and the principles of fairness and justice, the Group selects the best and suitable qualified candidates through open recruitment or internal promotion. The Group applies robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and potential to fulfil the Group's current and future needs.

Performance evaluations will be re-initiated each year for promotion. Recognizing the value in the skill and experience of our staff, the Group intends to adopt a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates. Staff salary payment and promotion will be measured against their progressive performance level, contribution, and achievement against the objectives set by the Group. The annual performance evaluation will be conducted annually. During the performance discussion, staff and management team will meet and talk about the expectations of their jobs so that a mutual understanding of staff responsibilities and performance objectives for the year can be reached.

Any termination of employment contract should be based on reasonable, lawful grounds and internal policies, such as the Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have unsatisfactory working performance or repeatedly made mistakes, the Group would give verbal warning before issuing a warning letter. For those who shows no improvement, the Group would consider dismissing the employees according to the relevant laws in Hong Kong.

During the Year, the Group recorded a turnover rate of approximately 37% (2020: 5%). The table below shows the employee turnover rate by gender and age group:

Breakdown by gender	
Female	50%
Male	24%
Breakdown by age group	
21 - 30	33%
31 - 40	29%
41 - 50	100%
Over 50	33%

Remuneration and Benefits

The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition, to basic salaries and mandatory provident fund ("**MPF**"), staff benefits include a basic five-day working week, flexible leave arrangement, medical coverage scheme, festival gift, and annual party. The Group offers a minimum of 7 days of annual leave and additional leaves, including compensation leave, maternity leave, compassionate leave, and exam leave, to staff. The Group also holds social gathering activities and encourages employees' voluntary participation aiming at providing opportunities for employees to get connected with each other and creating a harmonious working environment. It is mutually beneficial to both the Group and employees as it provides employees a sense of belonging and self-worth while positive work relationship helps foster better collaboration and work performance.

By offering competitive remuneration package and welfare to staff, the Group is able to retain high calibre talents. During the Year, approximately 69% (2020: approximately 84%) of staff has been working with the Group for more than 3 years and some even has worked up to 10 years. It indicates the Group's ability to foster staff loyalty of the Group, while job productivity and staff's performance are kept at satisfactory levels.

Work-life Balance

The Group values the importance of maintaining a healthy lifestyle and work-life balance of its employees. The Group actively engages its employees through different work-life balancing social activities. Besides, the Group regulates working hours and provides overtime work compensation for those employees working in field operations.

Health and Safety

The Group makes the health and life safety of its employees in a close attention focus. The Group provides its employee with flexible rest leave arrangement, medical and hospital scheme. The Group also aware that the good working environment for its employees with a safe and comfortable working condition is particularly important. The Group has set work arrangement for typhoon and rainstorm warning. In the past years under review, zero staff fatalities or serious work-related injuries from the Group's operation. The Group shows its genuine care for its employees. As to mitigate the impact of COVID-19, the Group has taken a quick response and precaution measures to protect the health of employees, including:

- Alcohol-based hand sanitizers were constantly given to all employees and placed at workplace areas;
- Non-contact thermometers were placed at the entrance of the office for measuring the body temperature; and
- Sanitation and space disinfection were frequently carried out to maintain the hygiene of workplace.

During the Year, the Group was not aware of any material non-compliance with the health and safety-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Occupational Safety and Health Ordinance (Cap. 501, Laws of Hong Kong) and the Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong). During the Year, there were no reported cases of work-related injuries, thus zero lost days due to work injury. The Group has achieved zero work-related fatalities in the past three years.

Workplace Safety

First aid kits are located at the pantry of the Group at a easily visible area and it has been clearly marked "FIRST AID" and its contents be maintained in a serviceable condition at all times as required by Occupational Safety and Health Branch. A notice specifying the name of the staff responsible for the first aid box is affixed to it. The Group has carried out the visual inspections of fire extinguishers to comply with legislation every year. The Group has also appointed the registered company which is qualified and experienced to conduct service and maintenance of fire extinguishing equipment once a year to make sure the fire extinguishers in the office are proper for use when necessary.

Development and Training

The Group believes that the quality of its employees is the most crucial factor in sustaining the Group's growth and improving its profitability. Training that providing employees with the opportunities to learn pays dividends for the Group and its employees. The Group gets better-skilled staffs who are more versatile and flexible in their assignments, and employees get the opportunity to learn new skills, gain new ways of viewing the world, and network with others.

The Group has arranged staff in training regularly during the Year. Staff participated in training build skills and stay up to date with regulatory changes. Apart from the training courses or seminars sponsored by the Group, all employees can apply for training courses and examination leave that are recommended by their managements, which in their view, is beneficial both to the Group's corporate direction and to the employees' career development to obtain up-to-date information in financial industry.

During the Reporting period, all employees have received training offered by the Group, while the average training hours completed per employee was approximately 2.5 hours (by gender – male: 2.5 hours, female: 2.5 hours; by employment category – senior management: 2.5 hours middle management and other employees: 2.5 hours).

Labour Standards

The Group has complied with relevant labour laws and government regulations set out by the Hong Kong Government. The Group does not employ staff who are below 18 years of age. No employee is paid less than the minimum wage specified by the government regulations. Monthly salary payments are made on time according to the Employee Handbook and MPF paid for a contribution period before monthly contribution day.

During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include but are not limited to the Employment of Children Regulations (Cap. 57B, Laws of Hong Kong) and the Employment Ordinance.

OPERATING PRACTICES

Supply Chain Management

The Group recognises the importance of sound supply chain management practices in mitigating environmental and social risks, and therefore, formulated policies and guidelines for various aspects of its customer service, including standardized operating procedures and staff training.

The Group prioritises the quality of service providers to sustain top notch standards of our service offerings and strives to collaborate and maintain stable partnership with service providers who possess qualifications or expertise in their respective fields. Periodic review of suppliers' performance is conducted to ensure that their services are performed in excellent quality and consistently.

Green Procurement

The Group pays attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices amongst its business partners and suppliers. The Group encourages its business partners and suppliers to consider the risks posed to their operations from climate change and to actively mitigate their environmental impacts during supplier conference. Besides, close monitoring on the suppliers' business practices through onsite inspections is performed. Any observations of non-compliance during the site visit will be reported immediately to the management. Corrective action plan will be carried out to remediate the identified risks in a timely manner.

Due to the business nature, the Group does not procure a significant amount of materials during the Year.

Product Responsibility

As a company engaged in brokerage business, the Group emphasizes the reliability of the services offered to our clients. Our IT department monitors the network status of the brokerage service 24/7 to ensure the connectivity of our services is not interrupted. Besides, the Group regularly invested network infrastructure in order to maintain good and speedy services to the customers.

During the Year, the Group was not aware of any incidents of non-compliance with laws and regulations in Hong Kong that have a significant impact on the Group, concerning product health and safety, advertising, labelling, and privacy matters relating to products and services provided. The relevant laws and regulations include, but are not limited to, the Supply of Services (Implied Terms) Ordinance (Cap. 457, Laws of Hong Kong) and the Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong) and Trade Descriptions Ordinance (Cap. 362, Laws of Hong Kong).

Customer Services and Data Protection

The Group pays special attention to confidentiality and privacy issue of the Group and all the stakeholders. The Group complies with the Data Protection Principles in the Personal Data (Privacy) Ordinance to prevent misuse and leakage of the personal data. All of the stakeholders' personal data are only for commercial operation purposes of the Group and shall never be resold to any third parties. Employees are required to sign a confidentiality agreement acknowledging receipt and agreement of their responsibility and obligation regarding the protection and non-disclosure of customer data. All computers together with backup services are equipped with security features which require password access. The Group maintains and enhances the physical and electronic systems from time to time in order to prevent leakage of the personal data. During the reporting period, there were no issues occurred concerning any losses of data.

Intellectual Property Rights Protection

The Group attaches importance on protecting intellectual property rights and has developed policies in accordance with all applicable legal requirements to prohibit intellectual property infringement. The Group has registered trademarks which are including the company logo, "Excalibur" etc. The Group has not encountered any material breaches of relevant laws and regulations relating to privacy and intellectual property rights in the Year.

Advertising and Labelling

In the Group's dealings with its clients, information provided were complete, true, accurate, clear, and comply with all regulatory bodies, relevant laws and regulations regarding the proper advertising. In the event there is misleading information in the Group's advertising or marketing activities, explanations and provide necessary compensation to our clients will be made and the advertisements will be modified or withdrawn.

Anti-corruption/Anti-money Laundering

The Group is committed to maintain the integrity of its corporate culture. No form of corruption or bribery is tolerated. The Group strictly complies with all anti-money laundering and counter-terrorist financing laws, regulations and guidelines in Hong Kong, such as the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. All directors and employees must strictly comply with the Employee Handbook to prevent any action of bribery, corruption and money laundering and they shall also follow relevant rules and guidelines when any conflict of interests arises. Anti-money Laundering Seminar will be held yearly to update the employees on the latest policy and regulations and reinforce their knowledge of recognising and dealing with money laundering and terrorist financing. The Group will not tolerate employees to accept gifts, entertainment activities or any advantages which do not comply with the normal social etiquette and ethical business practices. Employees are welcome and have responsibility to report all improper behaviours, misconduct or malpractice at work. All reports and disclosed information will be treated in the strictest confidence.

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering. The relevant laws and regulations include, but are not limited to the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong). During the Year, there is no legal cases regarding corrupt practices brought against the Group or its employees.

During the Year, despite that limited training provided to the employees due to COVID-19 pandemic, all directors have participated in appropriate continuous professional development activities by attending training course on the topics related to corporate governance and regulations or by reading materials relevant to the Company's business or to their duties and responsibilities. The Group will provide training to our directors and employees on anti-corruption practices in the ensuing financial year.

Whistle-blowing Mechanism

The Group believe in an open-door policy with regards to problem-solving; whenever staff has a good-faith problem or complaint, the Group expect staff to speak up and communicate with their manager or directly with senior management/director. The Group encourage staff to take the above action immediately after any event causes his/her concern. Furthermore, the Group also encourage staff to contribute their suggestions/minds to improve the quality of work at the Group.

Community Investment

The Group is committed to supporting social participation and contribution, and to nurture the corporate culture and practices of corporate citizen in its daily operation. The Group encourages our staffs to participate in volunteering events and charitable activities, which could provide an opportunity for them to connect outside the workplace while contributing to the local communities, and the Group targets through donations and sponsorships by supporting non-profit-making organizations to help charitable, cultural, educational, and other needs of society.

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of Excalibur Global Financial Holdings Limited (the "**Company**") submit herewith their annual report of the Company together with the audited financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Year**").

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in Cayman Islands and has its registered office at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and principal place of business at Unit 3711, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

CORPORATE REORGANISATION

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

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

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

RESULTS

The Group's loss for the Year and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 51 to 113.

DIVIDENDS

The Board of the Company does not recommend the payment of a final dividend for the Year (2020: Nil).

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

The forthcoming AGM of the Company will be held on Thursday, 9 June 2022 at 3:00 p.m.. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

The register of members of the Company will be closed from Monday, 6 June 2022 to Thursday, 9 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 June 2022.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in Note 28(b) to the consolidated financial statements. Details about the issue of shares are also set out in Note 28(b) to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES AND DISTRIBUTABILITY OF RESERVES

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

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was approximately HK$3,239,000 (2020: HK$6,358,000).

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue attributable to the largest and 5 largest customers of the Group accounted for approximately 18.4% and 46.8% of the Group's total revenue for the Year, respectively.

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

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

DIRECTORS

The Directors of the Company during the Year and up to the date of this report are as follows:

Executive Directors

Mr. Poon Kwok Wah Allan (Chairman and Chief Executive Officer)
Mr. Chan Ying Leung (retired on 10 June 2021)
Ms. Choi Ching Jennifer (appointed on 10 June 2021)
Ms. Lee Mei Chun

Independent Non-executive Directors

Mr. Chin Kam Cheung
Mr. Ang Wayne Wu-yee (retired on 10 June 2021)
Mr. Lam Ka Tai (appointed on 10 June 2021)
Mr. Siu Miu Man, M.H.

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 11 and 12 to the consolidated financial statements of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

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

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition throughout the Year. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed of Non-competition by the Controlling Shareholders and confirmed that the Controlling Shareholders have not been in breach of the Deed of Non-competition for the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or the Controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

During the Year, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

PERMITTED INDEMNITY PROVISIONS

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

CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to the required standard of dealings by Directors were as follows:

Long Position in the Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Poon Kwok Wah Allan (Notes 3 and 4)	Beneficial owner; interest held jointly with another person	559,504,000 (L)	69.94%

Note:

1) The letter "L" denotes long position of shares.

2) The total number of the issued shares of the Company as at the date of this report was 800,000,000.

3) On 27 October 2017, the Controlling Shareholders, namely Mr. Poon Kwok Wah Allan and Mr. Chan Ying Leung, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Company. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders is deemed to be interested in 69.94% of the issued share capital of the Company.

4) 559,504,000 shares in which Mr. Poon Kwok Wah Allan is interested consist of (i) 271,504,060 shares held by him; and (ii) 287,999,940 shares in which Mr. Chan Ying Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon Kwok Wah Allan.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to the required standard of dealings by directors.

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

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

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

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

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

So far as known to the Directors, as at 31 December 2021, the following persons had or were deemed to have interests in shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Long Position in the Shares and underlying Shares of the Company

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Poon Kwok Wah Allan (Notes 3 and 4)	Beneficial owner; interest held jointly with another person	559,504,000 (L)	69.94%
Mr. Chan Ying Leung (Notes 3 and 5)	Beneficial owner; interest held jointly with another person	559,504,000 (L)	69.94%

Note:

1) The letter "L" denotes long position of shares.

2) The total number of the issued shares of the Company as at the date of this report was 800,000,000.

3) On 27 October 2017, the Controlling Shareholders, namely Mr. Poon Kwok Wah Allan and Mr. Chan Ying Leung, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Company. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders is deemed to be interested in 69.94% of the issued share capital of the Company.

4) 559,504,000 shares in which Mr. Poon Kwok Wah Allan is interested consist of (i) 271,504,060 shares held by him; and (ii) 287,999,940 shares in which Mr. Chan Ying Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon Kwok Wah Allan.

5) 559,504,000 shares in which Mr. Chan Ying Leung is interested consist of (i) 287,999,940 shares held by him; and (ii) 271,504,060 shares in which Mr. Poon Kwok Wah Allan is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan Ying Leung.

Save as disclosed above, as at 31 December 2021, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions are set out in Note 34 to the consolidated financial statements. The related party transactions are either connected transactions or continuing connected transactions fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under Rule 11.23(7) of the GEM Listing Rules during the year ended 31 December 2021 and up to the date of this annual report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 14 to 24 of this annual report.

ENVIRONMENTAL POLICY

Environmental policy is set out in the "Environmental, Social and Governance Report" section on pages 25 to 35 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RETIREMENT SCHEMES

The Group has a Mandatory Provident Fund Schemes for all employees. The employer's retirement benefit costs charged to the profit or loss for the Year are set out in Note 10 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 114 of this annual report. This summary does not form part of the audited consolidated financial statements.

EVENTS AFTER THE YEAR

(a) On 10 January 2022, Excalibur Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into: (i) the memorandum for mortgage sale and purchase; and (ii) the transfer of mortgages with Enriched Goldenroad (H.K.) Credit Limited, an independent third party, pursuant to which Excalibur Finance Limited conditionally agreed to purchase and Enriched Goldenroad (H.K.) Credit Limited conditionally agree to sell the mortgages at the consideration of approximately HK$6.0 million in cash. As at the date of this annual report, the transaction has not yet completed. Details of the transaction has been disclosed in the Company's announcement dated 10 January 2022.

(b) On 28 January 2022, the Company entered into a placing agreement with a placing agent to procure placees to subscribe in cash for the notes with an aggregate principal amount of up to HK$40 million (the "**Notes**"). the Company has completed the issuance of the Notes to the placees in an aggregate principal amount of HK$40 million on 31 January 2022. The Notes bear interest at 3% per annum and will be matured on the third anniversary date of the issue of the Notes.

REVENUE FROM RELATED PERSONS

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

	Revenue in 2021 HK$'000
Mr. Chan Ying Leung (Note 1)	Nil
Self-employed Accounts Executive ("**AE**") (own accounts) (Note 2)	Nil
Self-employed AE (sub-accounts) (Note 2)	23
Staff dealing (Note 2)	3
Mr. Lui Shing Yiu, Dominic (Note 3)	232
Mr. Lin Ke (Note 3)	Nil
Mr. Lau Kwok Ming, Farther (Note 4)	Nil

Note:

1) Mr. Chan Ying Leung is defined as connected person under Chapter 20 of GEM Listing Rules as he is an executive Director (retired on 10 June 2021) and a Controlling Shareholder of the Company.

2) Self-employed AEs and staff are defined as related persons as they are employed by the Group.

3) Mr. Lui Shing Yiu, Dominic and Mr. Lin Ke are defined as related persons of the Group as they were closely related to one of the major suppliers historically.

4) Mr. Lau Kwok Ming, Farther is defined as related person of the Group as he was previously employed by the Group.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chin Kam Cheung (chairman of the Audit Committee), Mr. Lam Ka Tai and Mr. Siu Miu Man, M.H.. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2021.

AUDITORS

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

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information which were required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are as follows:

1. Mr. Chan Ying Leung retired as an executive Director with effect from 10 June 2021.

2. Ms. Choi Ching Jennifer was appointed as an executive Director with effect from 10 June 2021.

3. Mr. Ang Wayne Wu-yee retired as an independent non-executive Director with effect from 10 June 2021 and therefore he ceased to be the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

4. Mr. Lam Kai Tai was appointed as an independent non-executive Director with effect from 10 June 2021 and was appointed the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company on the same date.

By order of the board

Poon Kwok Wah Allan
Executive Director and Chief Executive Officer
Hong Kong, 30 March 2022

INDEPENDENT AUDITOR'S REPORT

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE SHAREHOLDERS OF
EXCALIBUR GLOBAL FINANCIAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Excalibur Global Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 113, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Recognition of brokerage commission income	
Brokerage commission income represented 97% of the total income of the Group for the year ended 31 December 2021. Brokerage commission income arising from futures and options broking is recognised on a trade date basis. We identified the recognition of brokerage commission income as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that revenue could be subject to manipulation to meet specific targets or expectations.	Our audit procedures to assess the recognition of brokerage commission income included the following: – assessing the design, implementation and operating effectiveness of key internal controls relating to revenue recognition; – reading customer service agreements, on a sample basis, and considering the Group's revenue recognition policies with reference to the terms of the customer service agreements and the requirements of the prevailing accounting standards; – forming an expectation of brokerage commission income, on a sample basis, for the current year with reference to trading volumes and commission rates and comparing our expectations with the actual brokerage commission income recognised for the year and investigating any significant differences between our expectation and the actual amounts recorded by the Group; – agreeing, on a sample basis, brokerage commission income recognised to statements issued by the brokers or the exchanges; and – obtaining confirmations, on a sample basis, on brokerage commission income received from customers and comparing the results with the brokerage commission income recorded by the Group.

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 auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 of the Company 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 of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with those charged with governance 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 those charged with governance 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.

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

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

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chung Chi Chiu
Practising Certificate Number: P06610

8/F, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021 HK$'000**	2020 HK$'000
Revenue	6		
Contracts with customers		**6,416**	10,085
Interest under effective interest method		**187**	536
		6,603	10,621
Other income, net	7(a)	**318**	2,525
Impairment losses	7(b)	**(3,573)**	–
Salaries and other benefits	10	**(7,574)**	(10,441)
Other operating and administrative expenses		**(17,927)**	(26,387)
Finance cost	8	**(916)**	(1,027)
Loss before tax		**(23,069)**	(24,709)
Income tax credit	9	**2,902**	2,961
Loss and total comprehensive expense attributable to owners of the Company for the year	10	**(20,167)**	(21,748)
Loss per share			
Basic and diluted (cents)	14	**(2.52)**	(2.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property and equipment	15	**393**	445
Right-of-use assets	16	**2,807**	8,026
Intangible assets	17	**526**	1,030
Statutory deposits	19	**5,032**	5,006
Deferred tax assets	32	**7,595**	4,693
		16,353	19,200
CURRENT ASSETS			
Accounts receivable arising from ordinary course of business	20	**22,970**	31,320
Prepayments and other receivables	21	**1,947**	1,552
Financial assets at fair value through profit or loss	22	**–**	11
Bank balances and cash	23	**5,637**	19,559
		30,554	52,442
CURRENT LIABILITIES			
Accounts payables arising from ordinary course of business	24	**18,992**	30,606
Other payables and accruals	25	**1,430**	1,211
Lease liabilities	26	**1,953**	3,692
		22,375	35,509
NET CURRENT ASSETS		**8,179**	16,933
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,532**	36,133
NON-CURRENT LIABILITIES			
Lease liabilities	26	**3,648**	4,482
Bank borrowing	27	**9,400**	–
		13,048	4,482
NET ASSETS		**11,484**	31,651
CAPITAL AND RESERVES			
Share capital	28	**8,000**	8,000
Reserves		**3,484**	23,651
TOTAL EQUITY		**11,484**	31,651

The consolidated financial statements on pages 51 to 113 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Poon Kwok Wah, Allan	**Choi Ching, Jennifer**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company				
	Share capital HK$'000	**Share Premium** HK$'000	**Other reserves** HK$'000 (Note b)	**Accumulated losses** HK$'000 (Note a)	**Total equity** HK$'000
At 1 January 2020	8,000	68,009	(2,799)	(19,811)	53,399
Loss and total comprehensive expense for the year	–	–	–	(21,748)	(21,748)
At 31 December 2020	8,000	68,009	(2,799)	(41,559)	31,651
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(20,167)**	**(20,167)**
At 31 December 2021	**8,000**	**68,009**	**(2,799)**	**(61,726)**	**11,484**

Notes:

(a) Within accumulated losses, a gain on bargain purchase of HK$9,223,000 was recognised as a result of the acquisition of 80% shares of New Century Excalibur Holdings Limited ("**New Century**") on 19 October 2012.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(23,069)**	(24,709)
Adjustments for:		
Finance cost	**916**	1,027
Bank interest income	**–**	(40)
(Gain) loss from changes in fair value of financial assets at fair value through profit or loss	**(4)**	3
Depreciation of plant and equipment	**439**	586
Depreciation of right-of-use assets	**4,010**	3,541
Loss on written-off of property and equipment	**7**	–
Impairment losses on property and equipment/right-of-use assets/intangible assets	**3,573**	–
Gain on lease modification	**(194)**	–
Unrealised foreign exchange loss (gain)	**118**	(554)
Operating cash flows before movements in working capital	**(14,204)**	(20,146)
(Increase) decrease in statutory deposits	**(26)**	18
Decrease in accounts receivable arising from ordinary course of business	**8,266**	3,366
(Increase) decrease in prepayment, deposits and other receivables	**(523)**	3,076
Decrease in amount due from a related party	**–**	6
(Decrease) increase in accounts payables arising from ordinary course of business	**(11,307)**	1,024
Increase (decrease) in other payables and accruals	**219**	(334)
Cash used in operations	**(17,575)**	(12,990)
Income tax paid	**–**	(1,994)
NET CASH USED IN OPERATING ACTIVITIES	**(17,575)**	(14,984)
INVESTING ACTIVITIES		
Bank interest received	**–**	40
Purchase of property and equipment	**(771)**	(17)
Proceed from disposal of financial assets at fair value through profit or loss	**15**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(756)**	23
FINANCING ACTIVITIES		
Interest paid	**(217)**	–
Borrowing raised	**9,400**	–
Repayment of lease liabilities	**(4,433)**	(4,067)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**4,750**	(4,067)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(13,581)**	(19,028)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**19,559**	37,973
Effect of foreign exchange rate changes	**(341)**	614
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**5,637**	19,559

1. GENERAL INFORMATION

Excalibur Global Financial Holdings Limited ("**the Company**") was incorporated in Cayman Islands on 13 July 2016 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its ultimate controlling parties are Mr. Poon Kwok Wah, Allan, who is also the Chairman and Chief Executive Officer of the Company and Mr. Chan Ying Leung, the former executive director of the Company. The addresses of the registered office and principle place of business of the Company are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (together, "**the Group**") mainly provide brokerage services for futures, securities and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom. The Group also provides margin financing business for the year.

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

2. APPLICATION OF 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 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 periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standard ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (the "Directors") 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.

2. APPLICATION OF 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.

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 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF 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 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF 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.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities (please see Note below), the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$2,807,000 and HK$5,601,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basic of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by the primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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*, 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.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

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.

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.

The Group provides broking and dealing services for securities, futures and options contracts. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. The Group provides custodian and handling services for securities, futures and options customer accounts. Fee income is recognised when the transaction is executed and service is completed (i.e. at a point in time).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

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 of HKFRS 16, 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.

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 standalone 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 of office premise 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Right-of-use assets (continued)

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease liabilities (continued)

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, 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

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 incentive 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate of the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income, net".

Employee benefits

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.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

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 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 and interests 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 is 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.

Property and equipment

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets 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.

The recoverable amount of property and equipment, right-of-use assets and intangible assets with indefinite useful lives 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 losses 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.

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 the 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).

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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 future; 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

i) 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.

ii) 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 and is included in the "Other income, net" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable arising from ordinary course of business, statutory deposits, 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. Assessment 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.

Loss allowances for accounts receivables arising from ordinary course of business is always measured at an amount equal to lifetime ECL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

For all other instruments, 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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;

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

(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;

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (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 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.

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.

Lifetime ECL for account receivable arising from ordinary course of business and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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 through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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.

Financial liabilities at amortised cost

Financial liabilities including accounts payables arising from ordinary course of business, other payables and accruals, lease liabilities and bank borrowing 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Fiduciary activities

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

Segregated accounts

Segregated accounts maintained by the Company to hold clients' monies are treated as off-balance sheet items which are not recognised in the consolidated statement of financial position and disclosed in Note 23 to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 Directors have not come across any significant areas where critical judgements are involved in applying the Company's accounting policies.

Key sources of estimation uncertainty

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

Provision of ECL for accounts receivable arising from ordinary course of business

Accounts receivable arising from ordinary course of business with significant balances are assessed for ECL individually.

In addition, for accounts receivable arising from ordinary course of business which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimate. The information about ECL of the Group's accounts receivable arising from ordinary course of business and disclosed in Note 31(b).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Deferred tax asset

As at 31 December 2021, a deferred tax asset of approximately HK$7,108,000 (2020: HK$4,713,000) and HK$507,000 (2020: Nil) in relation to unused tax losses and deductible temporary difference has been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially uncertainty on how the COVID-19 pandemic may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimation of useful life of intangible asset

Intangible asset represents the trading rights in the HKFE and SEHK. The trading rights held by the Group are considered by the management of the Group as having indefinite useful lives. The management of the Group performed a review of the accounting estimates and considered that such trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights were reconsidered by the management of the Group as having an indefinite useful life because they were expected to contribute to net cash inflows indefinitely.

Estimated impairment of property and equipment, right-of-use assets and intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are assessed for impairment annually. In determining whether property and equipment and right-of-use assets are impaired, the Group has to exercise judgement and make estimation, particularly in assessing whether an event has occurred or any indicators that may affect the asset value.

For the purpose of impairment testing, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (2) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. The Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve.

As at 31 December 2021, the carrying amount of property and equipment, right-of-use assets and intangible assets with indefinite useful lives subject to impairment assessment were approximately HK$393,000, HK$2,807,000 and HK$526,000 (2020: HK$445,000, HK$8,026,000 and HK$1,030,000) respectively. Impairment loss of approximately HK$377,000, HK$2,692,000 and HK$504,000 was recognised to property and equipment, right-of-use assets and intangible assets with indefinite useful lives respectively. (2020: No impairment loss has been recognised in respect of property and equipment, right-of-use assets and intangible assets with indefinite useful lives.) Details of the impairment testing on property and equipment, right-of-use assets and intangible assets with indefinite useful lives are disclosed in Note 18.

5. SEGMENT REPORTING

Information reported to the Board, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segment under HKFRS 8 *Operating Segments* is provision of brokerage services for futures, securities and options traded on the exchange in Hong Kong, the United States, Japan, Singapore and the United Kingdom.

Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from provision of brokerage services for futures, securities and options and interest income from securities margin financing for the years ended 31 December 2021 and 2020.

Geographical information

The Group's operation is located in Hong Kong. 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 total revenue of the Group are as follows:

	2021 **HK$'000**	2020 HK$'000
Customer A[1]	**1,211**	1,774
Customer B[1]	**N/A[2]**	1,601

[1] Revenue from provision of brokerage service

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group

6. REVENUE

The principal activities of the Group are futures and options, stock options and securities broking and margin financing business.

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

	2021 HK$'000	2020 HK$'000
Brokerage commission income derived from:		
Futures and options trading business		
– Hong Kong market	**2,989**	4,552
– Overseas markets	**3,028**	5,239
Stock options trading business	**234**	183
Securities trading business	**165**	111
Revenue from contracts with customers	**6,416**	10,085
Interest income under effective interest method (derived from margin financing)	**187**	536
Total revenue	**6,603**	10,621

Performance obligations for contracts with customers

Brokerage services

The Group provides brokerage services to customers on futures and options, stock options and securities trading. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

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

The Group applied the practical expedient for contracts with original expected duration less than one year, and did not disclose the aggregate amount of transaction price allocated to performance obligations of the brokerage services that are unsatisfied.

7a. OTHER INCOME, NET

	2021 HK$'000	2020 HK$'000
Bank interest income	–	40
Exchange (loss) gain, net	(118)	554
Government grants (Note)	118	1,108
Gain (loss) from changes in fair value of financial assets at FVTPL	4	(3)
Account maintenance fee income	100	29
Sundry income	20	43
Operating lease income – lease payments that are fixed	–	754
Gain on lease modification	194	–
	318	2,525

Note:

During the year ended 31 December 2021, the Group recognised government grants of approximately HK$118,000 in respect of COVID-19-Related subsidies, of which approximately HK$95,000 and HK$23,000 related to FinTech Anti-epidemic Scheme for Talent Development and Distance Business Programme under the Anti-epidemic Fund provided by the Government of the Hong Kong Special Administrative Region ("**HKSAR**") respectively.

During the year ended 31 December 2020, the Group recognised government grants of approximately HK$1,108,000 in respect of COVID-19-Related subsidies, of which approximately HK$1,058,000 and HK$50,000 related to Employment Support Scheme and Subsidy Scheme for Securities Industry under the Anti-epidemic Fund provided by the Government of HKSAR respectively.

7b. IMPAIRMENT LOSSES

	2021 HK$'000	2020 HK$'000
Impairment losses recognised on		
– Property and equipment	377	–
– Right-of-use assets	2,692	–
– Intangible assets	504	–
	3,573	–

Details of impairment assessment on property and equipment, right-of-use assets and intangible assets are set out in Note 18.

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	699	1,027
Interest on bank borrowing	217	–
	916	1,027

9. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Current tax		
Hong Kong	**–**	–
Deferred tax (Note 32)		
Current year	**2,902**	2,961
Total income tax credit	**2,902**	2,961

Hong Kong Profit Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made as the Group did not generated any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

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

	2021 HK$'000	2020 HK$'000
Loss before tax	**(23,069)**	(24,709)
Tax at Hong Kong Profits tax rate of 16.5% (2020:16.5%)	**(3,806)**	(4,077)
Tax effect on expenses not deductible	**1,059**	1,698
Tax effect on income not taxable	**(33)**	(205)
Effect of different tax rate of PRC subsidiary	**(122)**	(377)
Income tax credit	**(2,902)**	(2,961)

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 HK$'000	2020 HK$'000
Staff cost		
Directors' remuneration (Note 11)	**2,558**	4,650
Other staff cost (excluding directors' emoluments)		
– Salaries, allowance and benefits in kind	**4,816**	5,564
– Contribution to retirement benefits schemes	**200**	227
	5,016	5,791
Total staff costs	**7,574**	10,441
Marketing expenses	**3,474**	11,028
IT and communication expenses	**3,738**	4,473
Commission expenses	**1,311**	1,116
Auditor's remuneration		
– Audit service	**490**	488
– Non-audit service	**–**	80
Legal and professional fee	**2,078**	2,298
Depreciation of property and equipment	**439**	586
Depreciation of right-of-use assets	**4,010**	3,541
Loss on written-off of property and equipment	**7**	–

11. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year disclosed pursuant to the applicable GEM Listing Rules and CO, is as follows:

	2021				
Name	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contribution to retirement benefit schemes HK$'000	Total HK$'000
Executive directors:					
Poon Kwok Wah, Allan (Chairman and Chief Executive Officer)	360	350	–	26	736
Chan Ying Leung *(Note a)*	90	160	–	13	263
Lee Mei Chun	180	516	–	27	723
Choi Ching, Jennifer *(Note b)*	70	231	–	15	316
Independent non-executive directors:					
Chin Kam Cheung	180	–	–	–	180
Ang Wayne Wu-yee *(Note c)*	90	–	–	–	90
Siu Miu Man	180	–	–	–	180
Lam Ka Tai *(Note d)*	70	–	–	–	70
Total	1,220	1,257	–	81	2,558

	2020				
Name	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contribution to retirement benefit schemes HK$'000	Total HK$'000
Executive directors:					
Poon Kwok Wah, Allan (Chairman and Chief Executive Officer)	240	840	1,000	30	2,110
Chan Ying Leung	120	360	1,000	24	1,504
Lee Mei Chun	120	532	–	24	676
Independent non-executive directors:					
Chin Kam Cheung	120	–	–	–	120
Ang Wayne Wu-yee	120	–	–	–	120
Siu Miu Man	120	–	–	–	120
Total	840	1,732	2,000	78	4,650

11. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes:

a. Mr. Chan Ying Leung retired as an executive director of the Company on 10 June 2021.

b. Ms. Choi Ching, Jennifer was appointed as an executive director of the Company on 10 June 2021.

c. Mr. Ang Wayne Wu-yee retired as an independent non-executive director of the Company on 10 June 2021.

d. Mr. Lam Ka Tai was appointed as an independent non-executive director of the Company on 10 June 2021.

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 the directors of the Company.

Apart from Mr. Poon Kwok Wan, Allan agreed to wave partial of his remuneration of approximately HK$490,000 during the year ended 31 December 2021, there is no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

Certain executive directors of the Company are entitled to bonus payments which are determined based on the performance of previous period by the Board and reviewed by the remuneration committee.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2020: three) directors details of whose remuneration are set out in Note 11. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowance and benefits in kind	**1,663**	1,380
Contribution to retirement benefits schemes	**52**	36
	1,715	1,416

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2021 Number of individuals	2020 Number of individuals
HK$ Nil to HK$1,000,000	**3**	2

During the year ended 31 December 2021 and 31 December 2020, no emoluments were paid by the Group to any of the non-directors or highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company	**(20,167)**	(21,748)

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	800,000

No diluted loss per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

15. PROPERTY AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Office equipment HK$'000	Total HK$'000
COST					
At 1 January 2021	**693**	**64**	**6,165**	**1,386**	**8,308**
Additions	**658**	**–**	**109**	**4**	**771**
Written-off	**(693)**	**–**	**–**	**–**	**(693)**
At 31 December 2021	**658**	**64**	**6,274**	**1,390**	**8,386**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	**(679)**	**(52)**	**(5,750)**	**(1,382)**	**(7,863)**
Charge for the year	**(26)**	**(5)**	**(405)**	**(3)**	**(439)**
Impairment loss recognised in profit or loss	**(313)**	**(3)**	**(59)**	**(2)**	**(377)**
Written-off	**686**	**–**	**–**	**–**	**686**
At 31 December 2021	**(332)**	**(60)**	**(6,214)**	**(1,387)**	**(7,993)**
NET CARRYING VALUES					
At 31 December 2021	**326**	**4**	**60**	**3**	**393**
COST					
At 1 January 2020	676	64	6,165	1,386	8,291
Additions	17	–	–	–	17
At 31 December 2020	693	64	6,165	1,386	8,308
ACCUMULATED DEPRECIATION					
At 1 January 2020	(676)	(46)	(5,184)	(1,371)	(7,277)
Charge for the year	(3)	(6)	(566)	(11)	(586)
At 31 December 2020	(679)	(52)	(5,750)	(1,382)	(7,863)
NET CARRYING VALUES					
At 31 December 2020	14	12	415	4	445

15. PROPERTY AND EQUIPMENT *(continued)*

The above items of property and equipment after taking into account the estimated residual values, if any are depreciated on straight-line basis over their estimated useful lives, at the following rates per annum:

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

Details of impairment assessment on property and equipment are set out in Note 18.

16. RIGHT-OF-USE ASSETS

	Office equipment HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2021			
Carrying amount	**15**	**2,792**	**2,807**
As at 31 December 2020			
Carrying amount	45	7,981	8,026
For the year ended 31 December 2021			
Depreciation charge	**30**	**3,980**	**4,010**
For the year ended 31 December 2020			
Depreciation charge	30	3,511	3,541

	2021 HK$'000	2020 HK$'000
Expense relating to short-term lease	**–**	251
Additions to right-of-use assets	**5,182**	11,492
Impairment loss recognised in profit or loss	**2,692**	–
Total cash outflow for leases	**4,447**	4,318

The Group leases an office and office equipment for its operation. Lease contracts are entered into for fixed term of 36 months to 60 months (2020: 36 months to 60 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group entered into a short term leases for a office premise during the year ended 31 December 2020.

Details of impairment assessment on right-of-use assets are set out in Note 18.

17. INTANGIBLE ASSETS

	HKFE trading right HK$'000	SEHK trading right HK$'000	Total HK$'000
COST			
At 1 January 2020, 31 December 2020 and 31 December 2021	**480**	**550**	**1,030**
ACCUMULATED IMPAIRMENT			
At 1 January 2020, 31 December 2020 and 1 January 2021	**–**	**–**	**–**
Impairment loss recognised in the year	**235**	**269**	**504**
At 31 December 2021	**235**	**269**	**504**
CARRYING VALUES			
At 31 December 2021	**245**	**281**	**526**
At 31 December 2020	480	550	1,030

Intangible assets comprise the trading rights in the HKFE and SEHK which allow the Group to trade futures contracts and securities on or through these exchanges.

The trading rights is considered by the management of the Group as having the indefinite useful lives because it is expected to contribute to net cash inflows indefinitely. The trading rights are not amortised and are tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 18.

18. IMPAIRMENT TESTING ON PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

During the current year, as a result of the recurring operating losses of the Group and significant uncertainty on global and local economic environment, the management of the Group concluded that there was indication of impairment and conducted impairment assessment on recoverable amount on property and equipment, right-of-use assets and intangible assets with indefinite useful lives.

For the purpose of impairment testing, property and equipment, right-of-use assets and intangible assets with indefinite useful lives which set out in Notes 15, 16 and 17 respectively have been allocated to one individual cash generating unit, comprising one subsidiary in the provision of brokerage services for futures, securities and options traded on the exchange in Hong Kong, the United States, Japan, Singapore and the United Kingdom.

For impairment testing purpose, the recoverable amount of that cash generating unit has been determined based on the value in use calculation by reference to valuation carried out by Valplus Consulting Limited, an independent qualified professional valuer. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 14.9% (2020: 14.5%). The financial model assumes a terminal growth rate of 3% (2020: 3%) taking into account of long term net domestic product growth, inflation rate and other relevant economic factors. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue ranged from approximately HK$8.9 million to HK$18.9 million (2020: HK$14 million to HK$34 million) and net margin ranged from -65% to 19% (2020: from -81% to 15%), such estimation is based on the unit's past performance and management's expectations for the market development. The cash flow projections, growth rates and discount rate have been assessed as at 31 December 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's brokerage operations.

As at 31 December 2021, based on the result of the assessment, the recoverable amount of the cash generating unit is amounted to approximately HK$3,726,000 and the management of the Group determined that the recoverable amount of the cash generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property and equipment, right-of-use assets and intangible assets with indefinite useful lives such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation, impairment loss of approximately HK$377,000, HK$2,692,000 and HK$504,000 has been recognised against the carrying amounts of property and equipment, right-of-use assets and intangible assets with indefinite useful lives respectively for the year ended 31 December 2021. Had the key assumption been changed while other parameters remain constant, a further impairment would be recognised as follows:

	Increased or (Decreased) by	Further impairment HK$'000
Pre-tax discount rate	1%	(608)
Terminal growth rate	(1%)	(508)
Budgeted revenue covering 5-year period	(1%)	(1,369)
Costs	1%	(1,221)

As at 31 December 2020, the recoverable amount of the cash generating unit is estimated to exceed the carrying amount of the cash generating unit by approximately HK$12,266,000 and the management of the Group determines that there is no impairment is recognised on property and equipment, right-of-use assets and intangible assets with indefinite useful lives. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash generating unit to exceed the recoverable amount of the cash generating unit.

19. STATUTORY DEPOSITS

	2021 HK$'000	2020 HK$'000
Deposits with		
– HKFE Clearing Corporation Limited ("HKCC")	**3,500**	3,500
– SEHK Options Clearing House Limited ("SEOCH")	**1,532**	1,506
	5,032	5,006

Balances represent statutory deposits with the HKFE and SEOCH which are interest bearing.

20. ACCOUNTS RECEIVABLE ARISING FROM THE ORDINARY COURSE OF BUSINESS

	2021 HK$'000	2020 HK$'000
Accounts receivable – contracts with customers:		
– Cash clients	**1,735**	7,297
– Clearing houses	**8,595**	13,678
– Overseas brokers	**8,217**	9,307
	18,547	30,282
Accounts receivable from margin clients	**4,423**	1,038
	22,970	31,320

As at 1 January 2020, accounts receivable from contracts with customers amounted to approximately HK$30,529,000.

The settlement terms of accounts receivable, except for margin clients, arising from the business of dealing in securities are two days after trade date and of accounts receivable arising from the business of dealing in futures contracts and options are one day after trade date.

The accounts receivable from margin financing client is repayable on demand subsequent to settlement date and carrying interest at Hong Kong Prime rate plus 5% per annum as at 31 December 2021 and 2020.

Included in accounts receivable arising from the ordinary course of business are the following amounts denominated in currencies other than the group entities' functional currencies:

	2021 HK$'000	2020 HK$'000
United States dollars ("USD")	**7,043**	5,719
British Pounds ("GBP")	**19**	19
Japanese Yen ("JPY")	**157**	325
Eurodollars ("EUR")	**1,654**	3,939

Details of impairment assessment of accounts receivables arising from the ordinary course of business are set out in Note 31(b).

20. ACCOUNTS RECEIVABLE ARISING FROM THE ORDINARY COURSE OF BUSINESS *(continued)*

Ageing analysis

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

	2021 HK$'000	2020 HK$'000
Current (not pass due)	**22,970**	31,320

Other than receivables from cash clients and margin clients in aggregate of approximately HK$6,158,000 (2020: HK$8,335,000), the Group does not hold any collateral over these balances.

21. PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**321**	432
Rental and other deposits	**1,626**	1,120
	1,947	1,552

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

Details of impairment assessment of other receivables are set out in Note 31(b).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Financial assets mandatorily measured at FVTPL:		
Equity securities listed in Hong Kong	**–**	11

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

23. BANK BALANCE AND CASH

Bank balances carry interest at market rates ranged from 0%-0.001% (2020: 0%-0.001%).

The Group maintains segregated accounts with authorised institutions as a result of its normal business transactions. Segregated accounts not otherwise dealt with in these accounts amounted to approximately HK$35,649,000 as at 31 December 2021 (2020: HK$59,753,000).

Details of impairment assessment of bank balances are set out in Note 31(b).

Included in bank balances and cash are the following amounts denominated in currencies other than the group entities' functional currencies:

	2021 HK$'000	2020 HK$'000
USD	**583**	3,549
Chinese Yuan ("CNY")	**191**	186
GBP	**4**	4
JPY	**759**	690
EUR	**396**	2,324

Included in the bank balances and cash are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2021 HK$'000	2020 HK$'000
Amounts denominated in RMB	**191**	186

24. ACCOUNTS PAYABLE ARISING FROM ORDINARY COURSE OF BUSINESS

	2021 HK$'000	2020 HK$'000
Accounts payable		
– Clearing houses	**1,731**	7,280
– Cash and margin clients	**17,261**	23,326
	18,992	30,606

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

24. ACCOUNTS PAYABLE ARISING FROM ORDINARY COURSE OF BUSINESS *(continued)*

All of the accounts payable are repayable on demand.

Included in accounts payable arising from the ordinary course of business are the following amounts denominated in currencies other than the group entities' functional currencies:

	2021 HK$'000	2020 HK$'000
USD	**7,043**	5,719
GBP	**17**	17
JPY	**157**	325
EUR	**1,654**	3,939

25. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Other payables	**945**	487
Accruals	**485**	724
	1,430	1,211

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

26. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**1,953**	3,692
Within a period of more than one year but not exceeding two years	**1,916**	4,119
Within a period of more than two years but not exceeding five years	**1,732**	363
	5,601	8,174
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,953)**	(3,692)
Amount due for settlement after 12 months shown under non-current liabilities	**3,648**	4,482

The weighted average incremental borrowing rates applied to lease liabilities range from 5.125% to 11.4% (2020: 5.125% to 11.4%).

27. BANK BORROWING

	2021 HK$'000	2020 HK$'000
Secured:		
Bank borrowing	**9,400**	–

	2021 HK$'000	2020 HK$'000
Carrying amount repayable*:		
Within a period of more than one year but not exceeding two years	**9,400**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

The bank borrowing bears interest at 6% per annum and is repayable on 15 August 2023. It is denominated in HK$.

As at 31 December 2021, the bank borrowing was secured by i) a promissory note undersigned by the Group in the amount of HK$11,000,000; ii) personal guarantee by one of the Directors, Ms. Choi Ching, Jennifer ("**Ms. Choi**"); and iii) securities account which held by a related company, in which the shareholder is Ms. Choi. The marketing value of the pledged securities account should not less than HK$10.5 million throughout the continuance of the bank borrowing and/or as long as the bank borrowing is outstanding. The Group has complied with this financial covenant throughout the reporting period.

As at 31 December 2021, the Company has available undrawn borrowing facilities of HK$600,000.

28. SHARE CAPITAL

(a) Authorised share capital

The authorised ordinary share capital of the Company at 31 December 2021 and 2020 was HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

(b) Issued and capital

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

	No. of shares '000	Share capital HK$'000
Ordinary shares, issued and fully paid		
At 1 January 2020, 31 December 2020 and 31 December 2021	**800,000**	8,000

Note:

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

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly or indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ registration/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2021	2020	2021	2020	2021	2020	2021	2020	
Excalibur Global Financial Group Ltd.	British Virgin Islands	Ordinary	US$2	**100%**	100%	**-**	–	**100%**	100%	**-**	–	Investment holding
New Century Excalibur Holdings Limited	Hong Kong	Ordinary	HK$20,780,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Investment holding
Excalibur Global Financial Group Limited	Hong Kong	Ordinary	HK$21,000,000 (2020: HK$12,000,000)	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Futures brokerage business and securities
Excalibur Finance Limited	Hong Kong	Ordinary	HK$100	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Money lending business
Shenzhen Qianhai Excalibur Investment Consulting Limited	PRC	Ordinary	RMB5,000,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Provision of investment consulting services

30. CAPITAL RISK MANAGEMENT

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

The Group defines "capital" as including all components of equity less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Group as capital. On this basis the amount of capital employed at 31 December 2021 amounted to HK$11,484,000 (2020: HK$31,651,000).

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

Excalibur Global Financial Group Limited, a subsidiary of the Group, as a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, is subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR"). The minimum paid-up share capital requirement is HK$5,000,000 and the minimum liquid capital requirement is the higher of HK$3,000,000 and the variable required liquid capital as defined in the FRR. The subsidiary complied with the liquid capital requirements under FRR for the years ended 31 December 2021 and 2020.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Mandatorily measured at FVTPL-Held-for-trading	**–**	11
At amortised cost	**35,265**	57,025
Financial liabilities		
At amortised cost	**35,423**	39,991

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, statutory deposits, accounts receivable arising from ordinary course of business, other receivables, bank balances and cash, accounts payable arising from ordinary course of business, other payables and accruals, lease liabilities and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (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 in a timely and effective manner.

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

Currency risk

The Group's functional currency is HK$. The Group is exposed to currency risk primarily through provision of brokerage service for futures and options trading giving rise to receivables, payables and cash balances that are denominated in other currencies, being USD, CNY, GBP, JPY and EUR.

The Group have foreign currency revenue and cost which expose the Group to foreign currency risk. Approximately 46% (2020: 49%) of the Group's revenue is denominated in currencies other than the functional currency of the group entity making the revenue, whilst almost 8% (2020: 10%) of the cost is denominated in currencies other than the functional currency of the group entity. In addition, the Group has intra-group balances with subsidiary denominated in foreign currency which also expose the Group to foreign currency risk.

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

Exposure to currency risk and sensitivity analysis

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

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

	2021 Net assets in foreign currency HK$'000	2021 Appreciation (depreciation) in foreign currency %	2021 Effect on loss before tax and accumulated losses HK$'000	2020 Net assets in foreign currency HK$'000	2020 Appreciation (depreciation) in foreign currency %	2020 Effect on loss before tax and accumulated losses HK$'000
CNY	**191**	**5**	**(10)**	186	5	(9)
		(5)	**10**		(5)	9
GBP	**6**	**5**	**–**	6	5	–
		(5)	**–**		(5)	–
JPY	**759**	**5**	**(38)**	690	5	(35)
		(5)	**38**		(5)	35
EUR	**396**	**5**	**(20)**	2,324	5	(116)
		(5)	**20**		(5)	116

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 26 for details) and fixed-rate bank borrowing (see Note 27 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate accounts receivable, statutory deposits and bank balances.

The Group's cash flow interest rate risk is mainly related to the fluctuation of interest rates arising from the Group's accounts receivable arising from ordinary course of business, statutory deposits and bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements have on interest rate level and outlook.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2021 **HK$'000**	2020 HK$'000
Interest income under effective interest method	**187**	576

Interest expenses on financial liabilities not measured at FVTPL:

	2021 **HK$'000**	2020 HK$'000
Financial liabilities at amortised cost	**916**	1,027

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2021, if interest rates had been 100 basis points higher with all other variables held constant, the Group's loss before tax would have decreased by approximately HK$108,000 (2020: HK$95,000).

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

Other price risk

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

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the loss before tax for the year ended 31 December 2020 would decrease/increase by HK$1,000 as a result of the changes in fair value of investments at FVTPL.

31. 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 bank balance, statutory deposits, accounts receivable arising from ordinary course of business and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, except that the credit risks associated with cash client receivables and margin client receivable is mitigated because they are secured over securities.

Accounts receivable arising from ordinary course of business

(i) Accounts receivable due from clearing houses and overseas brokers

In respect of amounts receivable from clearing houses and oversea brokers, credit risks are considered low as the Group normally enters into transactions with clearing houses and overseas brokers which are registered with regulatory bodies and enjoy sound reputation in the industry.

(ii) Accounts receivable due from clients

In respect of amounts due from clients, individual evaluations are performed on all clients (including cash and margin clients) based on underlying collateral. Cash clients are required to place deposits as prescribed in the Group's policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date.

Because accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default, there has not been a significant change in credit quality and the balances are considered fully receivable, and the prescribed deposit requirements and the short settlement period involved, the credit risk arising from the amounts due from cash clients is considered low.

The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash clients and margin clients and has policy to manage these exposures on a fair value basis. Margin loans due from margin clients are repayable on demand.

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Accounts receivable arising from ordinary course of business *(continued)*

(ii) Accounts receivable due from clients (continued)

For commodities and futures brokerage, an initial margin is required prior to opening transaction. Market conditions and adequacy of securities collateral and margin deposits of each cash account, margin account and futures account are monitored by the management on a daily basis. Margin calls are made when the trades of margin clients exceed their credit limits or a shortfall existed after taking into account the securities collateral. Any such excess is required customers to deposit more money in the account within the next trading date. Failure to meet margin calls may result in the liquidation of the client's position. The Group seeks to maintain strict control over its outstanding receivables. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for accounts receivable arising from ordinary course of business. To measure the expected credit losses, these accounts receivable 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 for the years ended 31 December 2021 and 2020.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition. For the year ended 31 December 2021 and 2020, the Group assessed the ECL for other receivables are insignificant and thus no loss allowance is recognised.

Bank balances

The Group's exposure to credit risk arising from bank balances is limited because the counterparties are banks and financial institutions with a minimum credit rating of A2 assigned by Moody's, for which the Group considers to have low credit. The Group provided impairment loss based on 12m ECL which is considered to be insignificant and therefore no loss allowance is recognised for the years ended 31 December 2021 and 2020.

Statutory deposits

For statutory deposits, the credit risks are considered low as the Group normally enters into transactions with clearing houses which are registered with regulatory bodies. For the year ended 31 December 2021 and 2020, the Group assessed the ECL for statutory deposits are insignificant and thus no loss allowance is recognised.

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Statutory deposits *(continued)*

The Company's internal credit risk grading assessment comprises the following categories:

Internal rating	Description	Accounts receivable and other receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts or debtor frequently repays after due dates in full	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
High risk	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written-off	Amount is written-off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2021	2020
					HK$'000	HK$'000
Financial assets at amortised cost						
Statutory deposits	19	N/A	Low risk	12m ECL	**5,032**	5,006
Accounts receivable arising from ordinary course of business	20	N/A	Low risk	Lifetime ECL – not credit-impaired	**22,970**	31,320
Other receivables	21	N/A	Low risk	12m ECL	**1,626**	1,120
Bank balances	23	A2	N/A	12m ECL	**5,635**	19,446

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

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

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

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weight average interest rate	On demand or within 1 year HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2021						
Account payables arising from ordinary course of business	**–**	**18,992**	**–**	**–**	**18,992**	**18,992**
Other payables and accruals	**–**	**1,430**	**–**	**–**	**1,430**	**1,430**
Lease liabilities	**5.125%-11.4%**	**2,370**	**3,972**	**–**	**6,342**	**5,601**
Bank borrowing	**6%**	**564**	**9,752**	**–**	**10,316**	**9,400**
		23,356	**13,724**	**–**	**37,080**	**35,423**
At 31 December 2020						
Account payables arising from ordinary course of business	–	30,606	–	–	30,606	30,606
Other payables and accruals	–	1,211	–	–	1,211	1,211
Lease liabilities	5.125%-11.4%	4,433	4,785	–	9,218	8,174
		36,250	4,785	–	41,035	39,991

31. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets 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 each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Level 1	
	2021 HK$'000	2020 HK$'000
Financial asset at FVTPL	**–**	11

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2021	2020		
Financial asset at FVTPL	**Listed equity securities in Hong Kong – Film industry approximately HK$Nil**	Listed equity securities in Hong Kong – Film industry approximately HK$11,000	Level 1	Quoted bid prices in an active market

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	7,615	4,713
Deferred tax liabilities	(20)	(20)
	7,595	4,693

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Impairment loss recognised HK$'000	Total HK$'000
At 1 January 2020	27	(1,759)	–	(1,732)
Credit to profit or loss (Note 9)	(7)	(2,954)	–	(2,961)
At 31 December 2020	20	(4,713)	–	(4,693)
Credit to profit or loss (Note 9)	–	(2,395)	(507)	(2,902)
At 31 December 2021	20	(7,108)	(507)	(7,595)

At the end of the reporting period, the Group has unused tax losses of approximately HK$43,071,000 (2020: HK$28,562,000) available for offset against future profits. A deferred tax asset of approximately HK$7,108,000 (2020: HK$4,713,000) has been recognised in respect of such losses. All losses may be carried forward indefinitely.

33. 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 flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities:

	Bank borrowing HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1 January 2020	–	77	77
Change from cash flows:			
Repayment of leases	–	(4,067)	(4,067)
Non-cash changes:			
New finance lease entered	–	11,137	11,137
Interest expense	–	1,027	1,027
	–	12,164	12,164
At 31 December 2020	–	8,174	8,174
Change from cash flows:			
Repayment of leases	–	(4,433)	(4,433)
Borrowing raised	9,400	–	9,400
	9,400	(4,433)	4,967
Non-cash changes:			
New finance lease entered	–	5,182	5,182
Lease modification	–	(4,021)	(4,021)
Interest expense	–	699	699
	–	1,860	1,860
At 31 December 2021	**9,400**	**5,601**	**15,001**

34. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group did not have material transactions with related parties during the both years ended 31 December 2021 and 2020.

Compensation of key management personnel

The key management of the Group comprises all the Directors, details of their remuneration are disclosed in Note 11 to the consolidated financial statements. The remuneration of the Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The total expense recognised in profit or loss of approximately HK$281,000 (2020: HK$305,000) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of approximately HK$28,000 (2020: HK$59,000) due in respect of the year ended 31 December 2021 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

At 31 December 2021 and 2020, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes in future years.

36. STATEMENT OF FINANCIAL POSITION

	2021 HK$'000	2020 HK$'000
Non-current asset		
Investment in a subsidiary	**–**	–
Current assets		
Other assets	**108**	165
Amounts due from subsidiaries	**17,665**	8,514
Bank balances and cash	**116**	207
	17,889	8,886
Current liabilities		
Other payables and accruals	**239**	117
Amount due to a subsidiary	**3,011**	411
	3,250	528
Net current assets	**14,639**	8,358
Total assets less current liabilities	**14,639**	8,358
Non-current liability		
Bank borrowing	**9,400**	–
Net assets	**5,239**	8,358
Capital and reserves		
Share capital	**8,000**	8,000
Share premium	**68,009**	68,009
Accumulated losses	**(64,770)**	(61,651)
Other reserve	**(6,000)**	(6,000)
Total equity	**5,239**	8,358

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Poon Kwok Wah, Allan
Director

Choi Ching, Jennifer
Director

37. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(a) On 10 January 2022, Excalibur Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into: i) the memorandum for mortgage sale and purchase; and (ii) the transfer of mortgages with Enriched Goldenroad (H.K.) Credit Limited, an independent third party, pursuant to which Excalibur Finance Limited conditionally agreed to purchase and Enriched Goldenroad (H.K.) Credit Limited conditionally agreed to sell the mortgages at the consideration of approximately HK$6,033,000 in cash. As at the date of the annual report, the transaction has not yet completed. Details of the transaction has been disclosed in the Company's announcement dated 10 January 2022.

(b) On 28 January 2022, the Company entered into a placing agreement with Well Link Securities Limited, a placing agent, to procure placees to subscribe in cash for the notes with an aggregate principal amount of up to HK$40 million (the "**Notes**"). The Company has completed the issuance of the Notes to the placees in an aggregate principal amount of HK$40,000,000 on 31 January 2022. The Notes bear interest at 3% per annum and will be matured on the third anniversary date of the issue of the Notes.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**6,603**	10,621	18,919	50,736	32,840
(Loss) profit before tax	**(23,069)**	(24,709)	(18,316)	23,973	2,114
Income tax credit (expenses)	**2,902**	2,961	1,781	(4,490)	(2,692)
(Loss) profit for the year and total comprehensive (expense) income for the year	**(20,167)**	(21,748)	(16,535)	19,483	(578)

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**16,353**	19,200	8,875	5,069	2,984
Current assets	**30,554**	52,442	77,349	112,079	26,586
Total assets	**46,907**	71,642	86,224	117,148	29,570
Non-current liabilities	**13,048**	4,482	47	–	–
Current liabilities	**22,375**	35,509	32,778	38,414	16,314
Total liabilities	**35,423**	39,991	32,825	38,414	16,314
Net assets	**11,484**	31,651	53,399	78,734	13,256

Note:

The summary above does not form part of the audited financial statements.