Fu Shek Financial Holdings Limited
富石金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2263

ANNUAL REPORT
2021/22

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographies of Directors and Senior Management	11
Report of the Directors	14
Corporate Governance Report	29
Environmental, Social and Governance Report	44
Independent Auditor's Report	65
Consolidated Statement of Profit or Loss and Other Comprehensive Income	70
Consolidated Statement of Financial Position	71
Consolidated Statement of Changes in Equity	72
Consolidated Statement of Cash Flows	73
Notes to the Consolidated Financial Statements	75
Financial Summary	140

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Keng Stephen Lee
(formerly known as Li Ching Chung) *(Chairman)*

Executive Directors

Mr. Sy Man Chiu *(Chief Executive Officer)*
Mr. Ng Sik Chiu

Independent Non-executive Directors

Dr. Yu Sun Say
Mr. Lai Man Sing
Ms. Tsang Ngo Yin (appointed on 1 October 2021)
Dr. Ho Chung Tai, Raymond (resigned on 1 October 2021)

AUDIT COMMITTEE

Mr. Lai Man Sing *(Chairman)*
Dr. Yu Sun Say
Ms. Tsang Ngo Yin (appointed on 1 October 2021)
Dr. Ho Chung Tai, Raymond (resigned on 1 October 2021)

REMUNERATION COMMITTEE

Dr. Yu Sun Say *(Chairman)*
Mr. Keng Stephen Lee (formerly known as Li Ching Chung)
Mr. Lai Man Sing

NOMINATION COMMITTEE

Mr. Keng Stephen Lee
(formerly known as Li Ching Chung) *(Chairman)*
Dr. Yu Sun Say
Mr. Lai Man Sing

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 2705–6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

COMPANY SECRETARY

Mr. Wu Man Sun

LEGAL ADVISER

Michael Li & Co.
19th Floor, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
2nd Floor, Foyer, 625 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Chong Hing Bank Limited
Dah Sing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE

www.hkfsfinance.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Fu Shek Financial Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 March 2022 (the "Review Year").

We have been providing comprehensive financial services in Hong Kong for over a decade, which includes securities trading services, placing and underwriting services, as well as asset management services. The Company has been successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 February 2020. The Listing has marked a milestone for the Company and brought new dynamics for our future business development from the net proceeds arising from it. It provides sufficient capital flow for the Group's expansion and the Group reached a record high in both interest income recognized during the financial year and the balances of accounts receivable arising from the business of dealing in securities from margin clients as at financial year end.

Meanwhile, the Group stays vigilant to these emerging threats and will maintain its prudent approach in evaluating its existing business portfolios and opportunities amid a prolonged downward economy. Despite the competitive and volatile operating environment in the securities industry in Hong Kong, we are optimistic about the prospect of the Group due to the Hong Kong's global status of leading fundraising centre and equity market. The Group believes with its competitive strengths, the business will rebound according to improved market and investment sentiments amongst investors and clients. The Group will continue to adopt prudent capital management with maintaining a healthy liquidity position to meet the challenges ahead and capture the opportunities once the market rebounds. In the coming year, the Board shall continue to be cautious and stay alert to the ever-changing market conditions while remain positive towards the development of the Group. The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise, especially in the expansion of our margin financing services through obtaining and utilising our banking facilities. The Group will closely monitor the Coronavirus Disease 2019 ("COVID-19") and proactively respond to its impact on the Group's financial position and operating results and the Group shall continue with this business strategy and continue to create long-term benefits for its Shareholders.

On behalf of the Board, I would like to express my sincere appreciation to all my fellow directors, our management team and staff for their efforts contributing to the Group. I would also like to thank all our shareholders, customers, business partners and banks for their continued trust and support throughout the years.

Keng Stephen Lee
Chairman
30 June 2022

Management Discussion and Analysis

INDUSTRY REVIEW

During the first half of the Review Year, with the gradual resumption of economic activities due to relaxation of cross-border restrictions and increasing vaccination rate, the global economies were in the momentum of recovery. In Hong Kong, the stabilized COVID-19 condition and the Consumption Voucher Scheme in the third quarter of 2021 had helped to stimulate the customer sentiments and the local economy in general. As a result, the real GDP grew by 6.3% over a year earlier.

However, the positive atmosphere had ceased during the early 2022. The Russo-Ukrainian conflict which intensified in the early 2022 was yet to be resolved and the fifth wave of COVID-19 swept in Hong Kong in the early 2022. Economic activities had remained stagnant which further dampened the confidence in the financial market. Hong Kong's economy shrank by 4.0% on a year-on-year basis in the first quarter of 2022, ended the four consecutive quarters' increase. Due to the continued outbreak of coronavirus (the "Outbreak") and the change in the macroeconomic environment, investors' attitude towards the stock market has become more prudent. The unfavourable investment sentiment and the volatility in the financial markets have exerted pressure on the Group's operations.

BUSINESS REVIEW

Since over a decade ago, the Group has been providing comprehensive financial services based in Hong Kong. The Group has developed experience and capability to provide comprehensive financial and securities services, which incorporates (i) securities trading services including brokerage services and margin financing services; (ii) placing and underwriting services; and (iii) asset management services. Sinomax Securities Limited ("Sinomax Securities"), being the principal operating subsidiary of the Company, is licensed with the Securities and Futures Commission to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong.

During the Review Year, the Group recorded a 3.0% decrease of total revenue as compared to the year ended 31 March 2021 (the "Last Year"), which was approximately HK$38.0 million. The decrease was mainly attributable to the decrease in commission and brokerage income from securities dealing due to intense competition in the market for the commission rate charged to our clients and was in line with the general market during the Review Year. Meanwhile, the net profit attributable to owners of the Company increased to approximately HK$12.8 million during the Review Year, which was mainly due to (i) increase in interest income from margin financing services; (ii) decrease in impairment loss for accounts receivable under the expected credit loss model; and (iii) decrease in other operating expenses and finance costs while offsetting the decrease in commission and brokerage income from securities dealing compared with Last Year.

Securities Trading Services

Brokerage services

The Group provides securities dealing and brokerage services and ancillary service to clients who maintain a trading account. Commission income from the Group's securities brokerage business and handling and other fee income for the Review Year decreased by approximately 23.0% to approximately HK$13.4 million as compared with that of Last Year (2021: approximately HK$17.4 million) and accounted for approximately 35.1% (2021: 44.3%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decrease in commission income received due to intense competition in the market for the commission rate charged to our clients and was in line with the general market during the Review Year. The segment profit from brokerage services decreased by approximately 29.0% to approximately HK$9.5 million as compared with that of Last Year (2021: approximately HK$13.3 million) as less commission income from brokerage services was recognised during the Review Year.

Margin Financing Services

The Group provides financing services to facilitate its clients' purchase of securities on a margin basis in the secondary market and subscription to IPOs. Interest income from margin financing provided by the Group for the Review Year increased by approximately 11.8% to approximately HK$22.0 million as compared with that of Last Year (2021: approximately HK$19.7 million) and accounted for approximately 57.9% (2021: 50.3%) of the total revenue. The encouraging growth in interest income from margin financing was mainly due to an increase in interest income derived from our margin clients as the demand for our margin financing services increased gradually during the Review Year. The segment profit from margin financing services increased by approximately 30.1% to approximately HK$21.2 million as compared with that of Last Year (2021: approximately HK$16.3 million). The segment profit increased at a higher rate than the segment revenue due to less finance costs incurred during the Review Year and an allowance for impairment loss of approximately HK$1.6 million was provided for accounts receivable arising from the business of dealing in securities under the expected credit loss model in Last Year.

Placing and Underwriting Services

The Group provides placing and underwriting services by acting as (i) bookrunner, lead manager or underwriter of listing applicants in IPOs; and (ii) placing agent of listed companies in connection with their issuance or sale of securities, in return for placing and/or underwriting commission income. The commissions from placing and underwriting engagements vary on a case-by-case basis, as they are charged either based on pre-determined fixed fee or a fee calculated as a percentage of the total price of shares underwritten. Commission income from the Group's placing and underwriting services for the Review Year increased by approximately 24.8% to approximately HK$2.6 million as compared with that of Last Year (2021: approximately HK$2.1 million) and accounted for approximately 6.9% (2021: 5.4%) of the total revenue. The Hong Kong's capital market has been volatile since the Outbreak in the first quarter of 2020, which influenced the investors' motivation to subscribe for securities of new issuers. Hence, the Group adopted a more prudent business approach in clients' acceptance for IPOs engagements. On the other hand, the Group adjusted its business strategies to be more active in participating in placing agent and underwriter engagement of listed companies in connection with their issuance of securities and resulted in an increase in revenue from placing and underwriting services. The segment profit from placing and underwriting services decreased by approximately 72.7% to approximately HK$0.1 million as compared with that of Last Year (2021: approximately HK$0.3 million). The segment profit decreased as an allowance of impairment loss of HK$480,000 was provided for accounts receivable arising from placing and underwriting services under the expected credit loss model during the Review Year.

Asset Management Services

The Group launched the asset management services business to a client as a separate business segment since Last Year. During the Review Year, the revenue of asset management services was approximately HK$7,000 (2021: HK$8,000) and the segment loss was approximately HK$173,000 (2021: HK$142,000).

FINANCIAL REVIEW

Revenue

During the Review Year, the Group recorded a revenue of approximately HK$38.0 million (2021: approximately HK$39.2 million), representing a decrease of approximately 3.0% compared with that of Last Year. The overall decrease was due to decrease in commission and brokerage income from securities dealing due to intense competition in the market for the commission rate charged to our clients and was in line with the general market during the Review Year.

Other Operating Expenses

For the Review Year, the other operating expenses decreased approximately 19.3% to approximately HK$7.8 million as compared with Last Year (2021: approximately HK$9.7 million). The decrease was primarily due to decrease in audit and interim review fee to the auditor and compliance advisory fee to compliance adviser.

Profit for the Year

For the Review Year, the Group's net profit was approximately HK$12.8 million, which was an increase of approximately 19.8% compared with approximately HK$10.7 million from Last Year. Such change was mainly due to (i) increase in interest income from margin financing services; (ii) decrease in impairment loss for accounts receivable under the expected credit loss model; and (iii) decrease in other operating expenses and finance costs while offsetting the decrease in commission and brokerage income from securities dealing due to intense competition in the market for the commission rate charged to our clients as compared with Last Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong cash position with bank deposits, and financed its operations by cash mainly generated from operations and bank borrowings. As at 31 March 2022, the Group had total bank balances for general accounts and cash of approximately HK$103.7 million (2021: approximately HK$92.4 million). As at 31 March 2022, the Group had net current assets of approximately HK$334.8 million, representing an increase of approximately HK$12.7 million as compared with that of approximately HK$322.1 million as at 31 March 2021. The increase was mainly due to profits retained to support our expansion for margin financing services.

The Group's gearing ratio was 0.09 as at 31 March 2022 (2021: Nil).

Gearing ratio is calculated based on total debts which is represented by bank borrowings only, divided by net assets as at the end of the Review Year.

The Group utilised bank facilities of HK$30.0 million (2021: Nil) to fulfil the demand in margin loans to our clients as at 31 March 2022.

Borrowings

The major source of debt financing of the Group was mainly from banks. As at 31 March 2022, the Group had bank borrowings of HK$30.0 million (2021: Nil). All of the bank borrowings had a repayment on demand clause. All of the bank borrowings were at floating rate of 1.7% p.a. over 1-week Hong Kong Inter-bank Offered Rate.

Pledge of Assets

As at 31 March 2022, the Group did not have any pledged assets (2021: Nil).

Risks and Uncertainties

All the major risk factors relevant to the Group have already been listed in the section headed "Risk factors" of the prospectus of the Company dated 31 January 2020 (the "Prospectus") of the Company and details of the financial risk management of the Group are set out in note 33 to the consolidated financial statements.

Foreign Currency Exposure

As the Group only operates in Hong Kong and the majority of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

Capital Commitments and Contingent Liabilities

As at 31 March 2022, the Group did not have any significant capital commitment and contingent liabilities (2021: Nil).

Employees and Remuneration Policies

As at 31 March 2022, the Group employed 15 staff (2021: 17). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Staff costs primarily consist of salaries, bonus and allowance as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Staff costs was approximately HK$10.7 million during the Review Year (2021: HK$10.2 million), representing an increase of approximately HK$0.5 million.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Review Year, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Significant Investments Held by the Group

As at 31 March 2022, the Group did not make any significant investments (2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have other future plans for material investments or capital assets as at the date of this annual report.

USE OF PROCEEDS

The net proceeds received by the Group, after deducting related expenses, were approximately HK$90.6 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Such uses include: (i) expansion of placing and underwriting business; (ii) funding for margin financing business; (iii) establishment and renovation of a new office; (iv) expansion of workforce; (v) enhancement of IT systems; (vi) promotion and marketing; and (vii) working capital.

Business strategies	**Net proceeds as allocated in accordance with the Prospectus**	**Actual use of net proceeds up to 31 March 2022**	**Unutilised use of net proceeds up to 31 March 2022**	**Expected timeline of full utilisation of the balance**
	HK$'000	*HK$'000*	*HK$'000*	
Expansion of placing and underwriting business	27,000	27,000	–	–
Funding for margin financing business	10,200	10,200	–	–
Establishment and renovation of a new office	15,700	–	15,700	End of 2024
Expansion of workforce	12,900	869	12,031	End of 2024
Enhancement of IT systems	9,000	–	9,000	End of 2024
Promotion and marketing	7,200	–	7,200	End of 2024
Working capital	8,600	8,600	–	–
Total	90,600	46,669	43,931	

As at 31 March 2022, the unutilised proceeds were placed with a licensed bank in Hong Kong.

In consideration of the stock market volatility arising from the prolonged COVID-19 crisis and uncertain economic outlook, the Group has adopted a conservative but flexible approach for utilising the proceeds effectively and efficiently for the long-term development of the Group. The Group has kept the expansion and development plans on hold during the Review Year, and planned to resume when the COVID-19 pandemic is under control or until it subsides.

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Review Year, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

DIVIDENDS

The Board does not recommend the declaration of final dividend for the Review Year (2021: Nil).

OUTLOOK AND PROSPECTS

With the massive vaccination programme in various places around the world, it is anticipated that the impact of COVID-19 pandemic will be moderated gradually and the global economies will rebound and Hong Kong remains as one of the world's strongest financial markets.

The Group believes that the Hong Kong financial services industry, with its strengths of long development history, sound reputation, supportive policies and outstanding industry professionals, would remain in a top position worldwide. Many companies, who have listed in the US, are still looking for a secondary listing in Hong Kong to expand their market to Asia.

The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise, especially in the expansion of our margin financing services through obtaining and utilising our banking facilities. In response to the opportunities in the market, the Group will remain prudent towards external factors arising from the global and local economic situation and enhance its strengths to consolidate the Group's position in the industry. The Group will closely monitor the COVID-19 and proactively respond to its impact on the Group's financial position and operating results.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Keng Stephen Lee (李青松) (formerly known as Li Ching Chung), aged 58, is the chairman of the Board and he was appointed as a Director on 7 June 2016 and re-designated as a non-executive Director on 22 January 2020. He is also a director of Sinomax Securities, Smart Domain Group Limited and Century Elite Global Limited. He is primarily responsible for major decision-making relating to the business strategy and overall direction of the Group and providing strategic advice on the Group's business development.

Mr. Keng has over 20 years of experience in general business administration and management. Mr. Keng started engaging in the shipping business in 1995. He has been a shareholder of several shipping companies in Hong Kong which offer shipping and freight forwarding services between Hong Kong and other countries in Asia. Since 2004, Mr. Keng has been involved in the property development business. He is the co-founder of Anchor Land Holdings, Inc. ("Anchor Land") which was incorporated in July 2004 in the Philippines and principally engages in real estate development and marketing, focusing initially in high-end residential condominiums within the Manila area, the Philippines. Anchor Land has been listed on the Philippine Stock Exchange, Inc. with the symbol "ALHI" since August 2007.

EXECUTIVE DIRECTORS

Mr. Sy Man Chiu (許文超), aged 66, was appointed as a Director on 7 June 2016 and re-designated as an executive Director on 22 January 2020. He is primarily responsible for overseeing the overall business development, operations and management of the Group, implementing decisions and plans approved by the Board and making day-to-day operational and managerial decisions. Mr. Sy joined the Group in November 2007 as a deputy general manager, and was appointed as a director of Sinomax Securities in February 2008. Mr. Sy has been a responsible officer of Sinomax Securities for type 1 (dealing in securities) regulated activity since February 2008 and for type 4 (advising on securities) and type 9 (asset management) regulated activities since August 2016. He is also a director of Century Elite Global Limited.

Prior to joining the Group, Mr. Sy worked at Piper Jaffray Asia Securities Limited as an account executive and a licensed representative for type 1 (dealing in securities) regulated activity from June 2005 to November 2007.

He obtained his Diploma in Computer Programming and Systems Analysis from the Institute for Computer Studies in Toronto, Canada.

Mr. Ng Sik Chiu (吳錫釗), aged 36, was appointed as a Director on 16 January 2019 and re-designated as an executive Director on 22 January 2020. Mr. Ng joined the Group in November 2012 as a dealer's representative of Sinomax Securities, and was appointed as the head of risk management of Sinomax Securities in March 2016. He was appointed as an associate director of Sinomax Securities in July 2016 and further appointed as a director of Sinomax Securities in January 2019. He is primarily responsible for overseeing the risk management and margin policy of Sinomax Securities. He has been a responsible officer of Sinomax Securities for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities since August 2016.

Prior to joining the Group, Mr. Ng worked in Quam Securities Company Limited (now known as China Tonghai Securities Limited) as a licensed representative for type 1 (dealing in securities) regulated activity from August 2011 to June 2012 and for type 2 (dealing in futures contracts) regulated activity from September 2011 to June 2012.

Mr. Ng graduated from the University of Manchester in the United Kingdom with a Bachelor of Arts in Economics and Social Studies. He further obtained his Master of Science in Financial Computing from the University College London in the United Kingdom. Mr. Ng is the son of Ms. Yeung Lai Lai, one of the controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say (楊孫西), ***GBM, GBS, SBS, JP***, aged 83, was appointed as an independent non-executive Director on 22 January 2020. He is primarily responsible for providing independent advice and judgment on the strategy, performance, resources and standard of conduct of the Company. Dr. Yu is the Chairman of the H.K.I. Group of Companies and a director of a number of manufacturing and investment companies. He is an independent non-executive director of Wong's International Holdings Limited (stock code: 0099), Beijing Enterprises Holdings Limited (stock code: 0392) and Tongda Group Holdings Limited (stock code: 0698), all being companies listed on the main board of the Stock Exchange. He had served as member of Standing Committee of the Chinese People's Political Consultative Conference, member of the Preparatory Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Adviser. He is currently the Permanent Honorary President of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Lai Man Sing (黎文星), aged 54, was appointed as an independent non-executive Director on 22 January 2020. He is primarily responsible for providing independent advice and judgment on the strategy, performance, resources and standard of conduct of the Company.

Mr. Lai has been an executive director of Mainland Headwear Holdings Limited ("MHH") (stock code: 1100), a company listed on the Main Board of the Stock Exchange, since December 2019. Mr. Lai has over 20 years of experience in accounting. He is the Chief Financial Officer of MHH and in charge of the finance department.

Mr. Lai obtained his first degree from London School of Economics and Political Science, University of London, UK and earned a Master degree in Business Administration from University of Western Sydney, Australia. He is a Chartered Financial Analyst (CFA) charterholder. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Australian Society of Certified Practising Accountants. He took senior financial position for sizable listed companies and worked in international accounting field for many years.

Ms. Tsang Ngo Yin (曾傲嫣), aged 48, was appointed as an independent non-executive Director on 1 October 2021. She is primarily responsible for providing independent advice and judgement on the strategy, performance, resources and standard of conduct of the Company.

Ms. Tsang obtained a Bachelor of Business Administration Degree from Simon Fraser University in Canada, and further obtained a Bachelor of Laws Degree from Tsinghua University in the People's Republic of China and a Master of Laws Degree in International Corporate and Financial Law from University of Wolverhampton in the United Kingdom. Ms. Tsang has over 20 years of experiences in regulatory compliance, corporate finance projects, company secretarial matters, internal control, auditing and financial management. She is a member of each of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Tsang is currently an independent director of China Liberal Education Holdings Limited, a company listed on the NASDAQ Capital Market (NASDAQ: CLEU) and the company secretary and chief financial officer of DTXS Silk Road Investment Holdings Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 0620).

SENIOR MANAGEMENT

Mr. Wu Man Sun (胡民新), aged 37, is the Group's chief financial officer and company secretary of the Company and is mainly responsible for overseeing the Group's financial reporting, financial planning, financial control and company secretarial matters.

Mr. Wu joined the Group in January 2018. Mr. Wu has over 10 years of experience in accounting, auditing and post-investment management. Mr. Wu obtained a bachelor degree of Science from the University of Hong Kong and Postgraduate Diploma in Professional Accounting from the School of Professional and Continuing Education of the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lam Suen Kit (林宣傑), aged 44, joined the Group in August 2016 as an executive director of the equity capital markets department of Sinomax Securities. He has been a responsible officer of Sinomax Securities for type 1 (dealing in securities) regulated activity since October 2016. He is primarily responsible for overseeing the equity capital markets department and identifying and pitching to potential clients.

Mr. Lam has over 15 years of experience in the finance industry. Mr. Lam obtained a bachelor degree in Business from the University of Technology, Sydney.

Report of the Directors

The Board is pleased to present this Directors' report together with the consolidated financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") through its principal operating subsidiary Sinomax Securities.

An analysis of the principal activities of the Group during the Review Year is set out in the section headed "Management Discussion and Analysis" in this annual report and note 34 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 4 to 10 and the "Chairman's Statement" as set out on page 3 of this report. Such discussion forms part of this "Report of the Directors".

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees, customers, suppliers and other that have a significant impact on the Company and on which the Company's success depends are also discussed in the Environmental, Social and Governance Report on pages 44 to 64 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Review Year and the financial position of the Group as at that date are set out in the consolidated financial statements from pages 70 to 139 of this annual report.

The Directors do not recommend the payment of any dividend for the Review Year (2021: Nil).

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Review Year and details of the shares issued during the Review Year are set out in note 27 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

Further details are set out in the "Management Discussion and Analysis" section of this annual report and the Environmental, Social and Governance Report on pages 44 to 64 of this annual report.

KEY RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals and development. During the Review Year, there were no material and significant disputes between the Group and its employees and customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmental-friendly corporation. Details of our environmental, social and governance policies and performance during the Review Year are disclosed in the Environmental, Social and Governance Report on pages 44 to 64 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Review Year, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of associations of the Company (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders of the Company (the "Shareholder(s)").

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the Review Year are set out in note 17 to the consolidated financial statements. There were no investment properties of the Group during the Review Year.

DEBENTURE ISSUED

The Group did not issue any debenture during the Review Year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the Review Year.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Review Year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 72 of this annual report.

Details of the movements in the reserves of the Company during the Review Year are set out in Note 28 to the consolidated financial statements. As at 31 March 2022, the Company's reserves available for distribution amounted to approximately HK$61,971,000 (2021: HK$64,561,000).

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2022 are set out in note 25 to the consolidated financial statements.

MAJOR CUSTOMERS

As at 31 March 2022, sales to the Group's five largest customers accounted for 28.7% (2021: 27.8%) of the total sales for the year and sales to the largest customer included therein amounted to 6.7% (2021: 7.3%). None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Due to the Group's business nature, the Group does not have major suppliers.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed 15 staff (2021: 17). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee which is based on the Group's performance and the executives' respective contributions to the Group.

The staff costs incurred by the Group for the Review Year was approximately HK$10.7 million (2021: HK$10.2 million).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Review Year.

CONTINUING CONNECTED TRANSACTIONS

On 22 January 2020, a brokerage services agreement (the "Brokerage Services Agreement") was entered into among Sinomax Securities, Mr. Sy Man Chiu, Mr. Ng Sik Chiu, Mr. Keng Stephen Lee and Ms. Yeung Lai Lai, pursuant to which Sinomax Securities may (but is not obliged to), upon request, provide to each of them (where applicable, including their associates), brokerage services and margin financing services, on normal commercial terms and at rates comparable to rates offered to (i) our staff and/or (ii) other clients of Sinomax Securities who are independent third parties with similar background and/or nature as connected persons, and in accordance with the policy of Sinomax Securities from time to time, for the period from the Listing Date up to 31 March 2022. The annual cap for brokerage services income is HK$1,100,000 and the annual cap for interest income from margin financing services is HK$500,000 for each of the three years ending 31 March 2020, 2021 and 2022 respectively.

The Brokerage Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. As the relevant applicable percentage ratios in respect of the annual caps on an annual basis are less than 5%, and the annual consideration is less than HK$3 million, the above continuing connected transactions are fully exempt from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 29 to the consolidated financial statements that falls into the category of connected transaction or continuing connected transaction that needs to be disclosed under the Listing Rules.

The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Review Year.

DIRECTORS

The Directors who held office during the Review Year and up to the date of this annual report are:

Non-executive Director

Mr. Keng Stephen Lee

Executive Directors

Mr. Sy Man Chiu
Mr. Ng Sik Chiu

Independent Non-executive Directors

Dr. Yu Sun Say
Mr. Lai Man Sing
Ms. Tsang Ngo Yin (appointed on 1 October 2021)
Dr. Ho Chung Tai Raymond (resigned on 1 October 2021)

Biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 11 to 13 of this annual report.

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Sy Man Chiu, Dr. Yu Sun Say and Ms. Tsang Ngo Yin will offer himself/herself for re-election as an executive Director and an independent non-executive Director, respectively at the forthcoming annual general meeting of the Company.

The Company has received annual confirmation from each of the independent non-executive Directors regarding their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. In accordance with the provisions of Section 470 of the Companies Ordinance, the aforesaid approved indemnity clause for the benefit of the Directors was effective during the Review Year and at the time when this Directors' report prepared by the Directors was adopted in accordance with Section 391(1)(a) of the Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

During the Review Year, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company and/or any of its subsidiaries, which is not determinable within one year without payment of compensation, other than statutory compensation.

RETIREMENT BENEFITS PLANS

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits schemes contribution arising from the MPF Scheme charged to the profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

During the Review Year, there were no forfeited contributions under the defined contribution schemes above. Accordingly, no forfeited contribution was utilised during the Review Year, and there were no forfeited contribution available as at 31 March 2022 to reduce level of contributions.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as the section headed "Continuing Connected Transactions" in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders (as defined in below section) or their subsidiaries, during the Review Year.

DEED OF NON-COMPETITION

The controlling shareholders as defined in the Listing Rules and, in the context of the Company, means Mr. Keng Stephen Lee, Ms. Yeung Lai Lai and Man Chase Holdings Limited (collectively the "Controlling Shareholders"), have entered into the deed of non-competition dated 22 January 2020 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of the Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the core business of the Group currently excluded or possibly in the future to be engaged by the Group in Hong Kong or such other countries as the Group may conduct or carry on business from time to time (the "Undertakings").

The Controlling Shareholders have confirmed to the Company that they and their respective close associates (as defined under the Listing Rules) have complied with the undertakings contained in the Deed of Non-competition (the "Confirmation") during the Review Year.

Upon receiving the Confirmation, the independent non-executive Directors had reviewed the same as part of the annual review process. In determining whether the Controlling Shareholders had fully complied with the Undertakings during the Period, the independent non-executive Directors noted that (i) the Controlling Shareholders declared that they had fully complied with the Undertakings during the Period; (ii) no new competing business was reported by the Controlling Shareholders during the Period; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that all of the Undertakings were complied with by the Controlling Shareholders during the Review Year.

During the Review Year, save and except for the interest the Directors have in the Company and its subsidiaries and disclosed in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, none of the Directors, the Controlling Shareholders or their respective close associates (as defined under the Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the section headed "Continuing Connected Transactions" in this annual report, none of the Directors or his connected entities has or had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party throughout the Review Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Review Year, none of the Directors or the Controlling Shareholders (has the meaning ascribed thereto under the Listing Rules and, in the context of the Company, means collectively Mr. Keng Stephen Lee, Ms. Yeung Lai Lai and Man Chase Holdings Limited) and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Review Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the Review Year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2022, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required 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) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

Interest in shares of the Company

Name of Director	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding *(%)*
Mr. Keng Stephen Lee ("Mr. Keng")	Interest in controlled corporation *(Note 2)*	750,000,000 Shares (L)	75%

Notes:

(1) The letter "L" denotes a person's long position in the Shares.

(2) Mr. Keng owns 60% of the issued share capital of Man Chase Holdings Limited ("Man Chase"). By virtue of the SFO, Mr. Keng is deemed to be interested in such Shares held by Man Chase.

Interest in shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number and class of securities *(Note)*	Approximate percentage of shareholding in associated Corporation *(%)*
Mr. Keng	Man Chase	Beneficial owner	60 Shares (L)	60%

Note:

The letter "L" denotes a person's long position in the shares.

Save as disclosed above, as at 31 March 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2022, so far as is known to the Directors, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name of Director	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding** *(%)*
Man Chase	Beneficial owner	750,000,000 Shares (L)	75%
Ms. Yeung Lai Lai ("Ms. Yeung")	Interest in controlled corporation *(Note 2)*	750,000,000 Shares (L)	75%
Ms. Mei Ngar Cindy Sze *(Note 3)*	Interest of spouse	750,000,000 Shares (L)	75%
Mr. Ng Hoi Shuen *(Note 4)*	Interest of spouse	750,000,000 Shares (L)	75%

Notes:

(1) The letter "L" denotes a person's long position in the Shares.

(2) Man Chase is owned as to 60% by Mr. Keng and 40% by Ms. Yeung. Therefore, each of Mr. Keng and Ms. Yeung is deemed to be interested in the Shares held by Man Chase under the SFO.

(3) Ms. Mei Ngar Cindy Sze is the spouse of Mr. Keng.

(4) Mr. Ng Hoi Shuen is the spouse of Ms. Yeung.

Save as disclosed above, as at 31 March 2022, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Facility Agreement I

Reference is made to the announcement of the Company dated 12 August 2021. On 12 August 2021, Sinomax Securities, an indirect wholly-owned subsidiary of the Company, as borrower, and the Hongkong and Shanghai Banking Corporation Limited ("HSBC"), as lender, entered into Facility Agreement I in relation to a revolving loan facility and an overdraft facility of up to a principal amount of HK$15,000,000 and HK$10,000,000 respectively, which are agreed to be made available by HSBC to Sinomax Securities on the terms and conditions contained therein.

Pursuant to Facility Agreement I, specific performance obligations are imposed as follows: (a) Mr. Keng Stephen Lee and Ms. Yeung Lai Lai (collectively, the "Controlling Shareholders"), undertake not to charge or otherwise encumber the shares of the Company without HSBC's prior written consent; (b) the Controlling Shareholders undertake, upon request by HSBC, to provide a written confirmation to HSBC for the compliance with its negative pledge obligation; and (c) the Controlling Shareholders undertake, upon request by HSBC, to transfer their shares in the Company to HSBC's account regularly to evidence free of encumbrance.

The Controlling Shareholders will be required for so long as the facilities under the Facility Agreement I are available to Sinomax Securities to comply with the above undertakings. A breach of the above specific performance obligations by the Controlling Shareholders may result in HSBC to cancel all or any part of the commitments under the Facility Agreement I and all amounts outstanding under the Facility Agreement I may immediately become due and payable. Under the Facility Agreement I, HSBC has the right to suspend, withdraw or make demand for repayment in respect of the whole or any part of the facilities made available to Sinomax Securities at any time.

The facilities under Facility Agreement I have no fixed terms and are subject to periodic review of HSBC.

As at 31 March 2022, loan amount outstanding under Facility Agreement I was HK$Nil.

Facility Agreement II

Reference is made to the announcement of the Company dated 20 January 2022. On 19 January 2022, Sinomax Securities, as borrower, and Chiyu Banking Corporation Limited ("Chiyu"), as lender, entered into Facility Agreement II in relation to a revolving loan facility of up to a principal amount of HK$30,000,000, which are agreed to be made available by Chiyu to Sinomax Securities on the terms and conditions contained therein.

Pursuant to Facility Agreement II, specific performance obligations are imposed as follows: (a) the Controlling Shareholders have undertaken to Chiyu to hold not less than 51% of the issued share capital of the Company in aggregate; and (b) the Controlling Shareholders have undertaken to Chiyu to retain not less than 51% voting right of the Company in aggregate.

The Controlling Shareholders will be required for so long as the facility under the Facility Agreement II is available to Sinomax to comply with the above undertakings. A breach of the above specific performance obligations by the Controlling Shareholders may result in Chiyu to cancel all or any part of the commitments under the Facility Agreement II and all amounts outstanding under the Facility Agreement II may immediately become due and payable. Under the Facility Agreement II, Chiyu has the right to modify, cancel, suspend or make demand for repayment in respect of the whole or any part of the facilities made available to Sinomax Securities at any time.

The facilities under Facility Agreement II have no fixed terms and are subject to periodic review of Chiyu.

As at 31 March 2022, loan amount outstanding under Facility Agreement II was HK$30,000,000.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then sole Shareholder passed on 22 January 2020 (the "Adoption Date"). The Company is thus entitled to issue a maximum of 100,000,000 shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the shares in issue as at the Listing Date.

The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries, any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries (collectively, the "Eligible Participants") to optimize their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date. The maximum number of shares comprised in option to any one individual shall be 1% of the Shares in issue as of the date of grant in any 12-month period up to the date of grant. There is no such requirement for the minimum period for which an option must be held before it can be exercised. The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

The exercise price must not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. There is no option outstanding, granted, exercised, cancelled and lapsed during the Review Year. As at the date of this annual report, the total number of securities available for issue under the Share Option Scheme is 100,000,000, representing approximately 10% of the issued Shares.

During the Review Year, no options were granted by the Company under the Share Option Scheme.

The Company did not have any outstanding share options, warrants, derivatives or securities where are convertible or exchangeable into Shares as at 31 March 2022.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the Review Year. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Review Year.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the Group raised from the initial public offering was approximately HK$90.6 million, after deducting the underwriting fees, commissions and other listing expenses. HK$46.7 million of the net proceeds has been utilized as at 31 March 2022 (approximately 51.5% of the total net proceeds) and the remaining HK$43.9 million (approximately 48.5% of the total net proceeds) unutilized proceeds is placed in a licensed bank in Hong Kong. Details of the use of proceeds are set out in the "Management Discussion and Analysis" section in this annual report.

PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the Review Year, the Group did not make any charitable donations (2021: Nil).

TAX RELIEF

The Company is not aware of any relief from taxation to which the Shareholders are entitled by reasons of their holdings of the Shares. If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or exercise of any rights in relation to the Shares, they are advised to consult their professional advisers.

EVENT AFTER THE REPORTING PERIOD

The Group has no material subsequent events after the Reporting Period.

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("Deloitte") has resigned as the auditor of the Company with effect from 27 September 2021. Baker Tilly Hong Kong Limited ("Baker Tilly") has been appointed as the new auditor of the Company with effect from 27 September 2021 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements for the year ended 31 March 2022 were audited by Baker Tilly, who will retire at the 2022 annual general meeting and, being eligible, will offer itself for reappointment as external auditor of the Company.

On behalf of the Board

Keng Stephen Lee
Chairman
30 June 2022

Corporate Governance Report

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules (the "Code Provisions") as the basis of the Company's corporate governance practices during the Review Year.

The Board is of the view that the Company has complied with the Code Provisions set out in the CG Code during the Review Year.

BOARD OF DIRECTORS

The Board consists of six Directors, comprising a non-executive Director, namely Mr. Keng Stephen Lee, two executive Directors namely Mr. Sy Man Chiu and Mr. Ng Sik Chiu and three independent non-executive Directors, namely Dr. Yu Sun Say, Mr. Lai Man Sing and Ms. Tsang Ngo Yin. Mr. Keng Stephen Lee is currently the chairman of the Board (the "Chairman").

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 11 to 13 of this annual report. None of the members of the Board is related to one another.

The Company has entered into a service contract with each of our executive Directors for a term of three years commencing from the Listing Date which may be terminated by either party with three months' notice. The Company has also entered into a letter of appointment with the non-executive Director and each of the independent non-executive Directors for a term of three years commencing from the date of appointment which may be terminated by either party with one month's notice.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The powers and duties of our Board include convening general meetings and reporting our Board's work at the Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by the Articles.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Keng Stephen Lee is currently the Chairman and Mr. Sy Man Chiu is the chief executive officer of the Company (the "Chief Executive Officer"). The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Review Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing half of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors written annual confirmation of their independence pursuant to the Listing Rules and the Company considers that each of them is independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

APPOINTMENT AND RE-ELECTION AND REMOVAL OF DIRECTORS

The procedure and process of appointment, re-election and removal of directors are laid down in the Articles which provide that at each annual general meeting one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the required standard for securities transactions by Directors.

The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Review Year.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director has received 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 Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by meetings with the senior management of the Company.

During the Review Year, the Directors complied with the Code Provision C.1.4 of the CG Code on participation in continuous professional training as follows:

	Mode of participation	
	a	**b**
Non-executive Director		
Mr. Keng Stephen Lee	✓	✓
Executive Directors		
Mr. Sy Man Chiu	✓	✓
Mr. Ng Sik Chiu	✓	✓
Independent Non-executive Directors		
Dr. Yu Sun Say	–	✓
Mr. Lai Man Sing	–	✓
Ms. Tsang Ngo Yin (appointed on 1 October 2021)	–	✓
Dr. Ho Chung Tai, Raymond (resigned on 1 October 2021)	–	✓

a: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.

b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

BOARD MEETINGS

Code provision C.5.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the Review Year, the Board convened 6 meetings and the chairman held 1 meeting with the independent non-executive directors without the presence of other directors.

During the Review Year, the Company held 1 general meeting on 2 September 2021.

Details of the attendance of the Directors for the board meetings and general meeting during the Review Year are as follows:

	Attendance/Number of	
	Board meetings entitled to attend	**General meeting entitled to attend**
Non-executive Director		
Mr. Keng Stephen Lee	6/6	1/1
Executive Directors		
Mr. Sy Man Chiu	6/6	1/1
Mr. Ng Sik Chiu	6/6	1/1
Independent Non-executive Directors		
Dr. Yu Sun Say	6/6	1/1
Mr. Lai Man Sing	6/6	1/1
Ms. Tsang Ngo Yin (appointed on 1 October 2021)	2/2	–
Dr. Ho Chung Tai, Raymond (resigned on 1 October 2021)	4/4	1/1

BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

Audit Committee

The Company has established the audit committee (the "Audit Committee") on 22 January 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Lai Man Sing, Dr. Yu Sun Say and Ms. Tsang Ngo Yin, all being independent non-executive Directors. The Audit Committee is chaired by Mr. Lai Man Sing, who possesses the appropriate professional qualifications.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting, risk management and internal control systems of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board.

During the Review Year, 3 Audit Committee meetings were held. The attendance of each member is set out below:

	Attendance/ Number of Audit Committee meetings entitled to attend
Mr. Lai Man Sing *(Chairman)*	3/3
Dr. Yu Sun Say	3/3
Ms. Tsang Ngo Yin (appointed on 1 October 2021)	1/1
Dr. Ho Chung Tai, Raymond (resigned on 1 October 2021)	2/2

The works performed by the Audit Committee during the Review Year include the following:

- reviewed and discussed the Group's annual results.
- reviewed and discussed the Group's interim results.
- reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements.
- reviewed the financial reporting system, risk management and internal control systems of the Group.
- reviewed the effectiveness of the internal audit function of the Company.
- considered and discussed for the change of auditor of the Company.
- considered the re-election of auditor of the Company and discussing with the auditor about the audit plan.

The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") on 22 January 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee consists of the non-executive Director, namely Mr. Keng Stephen Lee and two independent non-executive Directors namely Dr. Yu Sun Say and Mr. Lai Man Sing. The Remuneration Committee is chaired by Dr. Yu Sun Say.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

The Remuneration Committee shall meet at least once annually, or more frequently if circumstances require, to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

During the Review Year, 2 Remuneration Committee meetings were held. The attendance of each member is set out below:

	Attendance/ Number of Remuneration Committee meetings entitled to attend
Dr. Yu Sun Say *(Chairman)*	2/2
Mr. Keng Stephen Lee	2/2
Mr. Lai Man Sing	2/2

The remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The remuneration policy is subject to review by and the recommendations of the Remuneration Committee.

The works performed by the Remuneration Committee during the Review Year include the following:

– reviewed and determined the policy for the remuneration of Directors and senior management of the Company.

– assessed performance of executive Directors.

– reviewed and recommended the remuneration package of the Directors and senior management of the Company.

– reviewed and approved the terms of executive Director’s service contract.

Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") on 22 January 2020 with written terms of reference in compliance with paragraph B.3 of the CG Code. The Nomination Committee consists of the non-executive Director, namely Mr. Keng Stephen Lee and two independent non-executive Directors, namely Dr. Yu Sun Say and Mr. Lai Man Sing. The Nomination Committee is chaired by Mr. Keng Stephen Lee.

The primary function of the Nomination Committee is to review the structure, size and diversity (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, make recommendations on any proposed changes to the Board to complement our corporate strategy and make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee shall meet at least once a year, or more frequently if circumstances require to review the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors and to develop and evaluate the corporate governance practices of the Company.

During the Review Year, 2 Nomination Committee meetings were held. The attendance of each member is set out below:

	Attendance/ Number of Nomination Committee meetings entitled to attend
Mr. Keng Stephen Lee *(Chairman)*	2/2
Dr. Yu Sun Say	2/2
Mr. Lai Man Sing	2/2

The works performed by the Nomination Committee during the Review Year include the following:

– reviewed the structure, size and composition of the Board with reference to the board diversity policy and the development of the Company and the market situation.

– assessed the independence of independent non-executive Directors.

– assessed the composition of the Board and Board Committees and made recommendation to the change in compositions of Board Committees accordingly.

– made recommendations on any proposed changes to the Board on the appointment or re-appointment of Directors to complement the Company's corporate strategy and succession planning for Directors, in particular the chairman of the Board and the chief executive.

NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") on 22 January 2020 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including public advertising or using intermediary, professional search agencies to facilitate the search;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

BOARD DIVERSITY POLICY

The board adopted a board diversity policy (the "Board Diversity Policy") on 22 January 2020.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Nomination Committee has considered measurable objectives based on gender, age, professional experience and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the board diversity of the Company, as appropriate, to ensure its continued effectiveness at least once annually.

The current Board consists of a diverse mix of Board members with different genders, appropriate skills, knowledges and experience to promote and achieve better performance of the Company.

REMUNERATION POLICY

The Directors and senior management of the Group receive compensation in the form of salaries, director fees, benefits-in-kind, discretionary bonuses related to the performance of the Group and the individual performance of the Directors and senior management members, and options which may be granted under the share option scheme. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to the Group's business and operations. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, salaries and bonus paid by comparable companies, responsibilities and performance of the Group and the individual performance of the Directors and senior management members.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration (including share-based compensation) of the Directors and senior management, by band for the year ended 31 March 2022 is set out below:

Annual Remuneration	**Number of individuals**
HK$0 to HK$1,000,000	4
HK$1,000,001 to HK$2,000,000	4

CORPORATE GOVERNANCE FUNCTION

The Board assumes the responsibility for overseeing the overall management and strategic planning of the Group through directing and supervising our affairs. The Directors (including independent non-executive Directors) will be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities. Directors may make further enquiries for more information and have separate and independent access to our senior management and operational staff. There is also procedure in place to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at our expense to assist them in performing their duties to the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance, practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It endeavours to evaluate and compare the level of risk against predetermined acceptable level of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management will develop contingency plans for possible loss scenarios. Accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

The Board as a whole is responsible for identifying and considering the disclosure requirements and guidelines regarding inside information. Meanwhile, the compliance department of the Company is responsible for maintaining the restricted list and monitoring clients' trading and staff dealing. The Company's public side staff who are exposed to inside information must maintain the confidentiality of such information and may use it only for the business purpose for which it was communicated.

The Group does not have an internal audit function. Taking into account the size, nature and complexity of the Group's business, the Board have sufficient capacity to oversee the design and implementation of the risk management and internal control system and to assess its effectiveness, and accordingly there is no immediate need to set up an internal audit function within the Group.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk Identification

- Identify risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to Findings of Risk Assessment

- Prioritise the risks by comparing the results of the risk assessment; and

- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;

- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and

- Report the results and effectiveness of risk management and internal control at Board and Audit Committee meetings regularly.

In relation to the handling and dissemination of inside information, the Group has implemented in information disclosure policy to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy is summarised as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

During the Review Year, the Group engaged an independent consulting firm to review the effectiveness of its risk management and internal control system. Such review is conducted annually and the scope of review was determined by the Board which covers key areas of operations and processes of the Group. The independent consulting firm submitted a report of findings and areas for improvement to the management. The management presented these findings and areas for improvements to the Board and Audit Committee. Having considered (i) the existence of the risk management and internal control system; (ii) the findings of the independent consulting firm; (iii) the management will take into account the areas for improvement suggested by the independent consulting firm and further enhance the risk management and internal control system, the Board and Audit Committee were of the view that the Group had no material internal control deficiencies and its risk management and internal control systems were effective and adequate.

COMPANY SECRETARY

The company secretary of the Company, Mr. Wu Man Sun (the "Company Secretary"), is a full time employee of the Group and has substantial knowledge of the Company's day-to-day affairs. During the Review Year, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules.

AUDITORS AND REMUNERATION

Baker Tilly Hong Kong Limited was engaged as the auditor of the Review Year, provided the following services to the Group.

	HK$'000
Audit services	950
Interim review	200
Total	1,150

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Review Year, the Directors have:

– based on a going concern basis;

– selected suitable accounting policies and applied them consistently; and

– made judgements and estimates that were prudent, fair and reasonable.

The report of the auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report from pages 65 to 69 of this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairpersons of the Remuneration Committee, the Audit Committee and the Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

The Company also published all corporate correspondences on the Company's website www.hkfsfinance.com. Shareholders and investors may also email their queries to the Company's email address: support@sinomaxsec.com.hk, which will be handled by the Company's management team.

SHAREHOLDERS' RIGHTS

Right to Convene Extraordinary General Meeting

Pursuant to Article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Right to Put Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary at the principal place of business in Hong Kong of the Company at Flat 2705–6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Right to Put Forward Enquiries to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Flat 2705–6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

Dividend Policy

The Company has adopted a dividend policy effective from 19 February 2020, but such policy does not prescribe any pre-determined dividend pay-out ratio. The payment and the amount of any future dividend will be at the discretion of the Board and will depend on, among others, (i) the Group's results of operations, financial condition, future prospects, capital commitments, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's subsidiaries and associates; (ii) the provisions governing the declaration and distribution of dividends as contained in the Articles and pursuant to the dividend policy; (iii) compliance with applicable laws; and any other conditions or factors which the Board deems relevant and having regard to the Directors fiduciary duties. Any final dividend for a financial year will be subject to Shareholders' approval.

The Company may declare and pay dividends by way of cash or scrip or by other means as the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company according to the Articles. The Board will review the dividend policy from time to time.

Changes in Constitutional Documents

During the Review Year, there has been no changes in the constitutional documents of the Company.

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance ("ESG") Report (the "ESG Report") of Fu Shek Financial Holdings Limited ("Fu Shek" or the "Company", and together with its subsidiaries, "we", "our" or the "Group") is to provide an overview of the Group's ESG performance and achievements over the year.

Reporting Scope

This ESG Report covers material ESG issues in relation to the principal businesses of the Group which remain substantially the same as last year, including provision of brokerage services, margin financing services, and placing and underwriting services, for the period from 1 April 2021 to 31 March 2022 (the "Reporting Period" or "2022"), aiming to demonstrate the Group's overall ESG objectives and efforts.

Reporting Standard

The ESG Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Reporting Principles

To unbiasedly reflect the Group's ESG and performances, reporting principles are strictly applied during report compilation, to ensure quality information disclosure:

Materiality

ESG issues concerned by stakeholders or posing significant impacts to the Group's business operation are included. Materiality assessment is conducted to identify material ESG issues via regular communication with various stakeholders. The materiality of issues was reviewed and confirmed by the Board of Directors (the "Board") and ESG Working Group. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative

Quantitative environmental and social key performance indicators ("KPIs") are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references and source of key emission and conversion factors used for calculating these KPIs are stated wherever appropriate.

Consistency

In order to enhance and maintain comparability of ESG performances between years, the Group strives to adopt consistent reporting and calculation methodologies as far as reasonably practicable. In case of any changes that could affect a meaningful comparison of the KPIs between years, the Group will provide explanations for the corresponding data.

Balance

ESG data and content are presented in an objective and unbiased manner to ensure that the information disclosed faithfully reflects the overall performance of the Group in ESG aspects.

ESG GOVERNANCE

Board Statement

The Group believes that a structuralised governance framework is essential in ESG management. Therefore, the Group has established a three-level structure, which includes a decision-making level, an organisation level, and an execution level, to better formulate policies, implement relevant practices, and monitor performance over the entire business operation.

Decision-Making Level: The Board

- Oversee ESG management and performance
- Ensure effective risk management
- Review performance against relevant ESG targets

Organisation Level: Management

- Set up ESG Working Group to assist the implementation of strategies and initiatives
- Regularly monitor ESG performance and progress towards ESG targets and report to the Board

Execution Level: Business Units and Subsidiaries

- Implement and execute ESG-related measures
- Collect relevant ESG data and information for further analysis and disclosure

The Board is responsible for the overall ESG risk management, overseeing and evaluating ESG performance to determine potential risks, along with ensuring appropriate risk management and internal control through formulation of ESG strategies. The Board regularly reviews its performance against ESG-related targets, which cover aspects of energy conservation and emission reduction, with the aim to align with the corporate sustainability strategy, echo with international vision of carbon neutrality and enhance corporate reputation.

To assist in the implementation of strategies and initiatives set by the Board, an ESG Working Group has been established. The ESG Working Group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, keeping track of and reviewing the progress made against the Group's ESG-related targets, ensuring compliance with ESG-related laws and regulations, assisting in conducting materiality assessment and preparing ESG reports. Additionally, the ESG Working Group plays an integral role in ensuring the effectiveness of ESG governance and enhancing centralised management across different departments and subsidiaries. The Group's ESG performance is regularly monitored and reported to the Board periodically.

The Board believes that the identification of material ESG issues can assist the Board to govern the ESG development of the Group. Therefore, the Board oversees the Group's materiality assessment process, making use of questionnaires as the basis of the assessment. Through such, stakeholders' opinions are collected, and by integrating the material ESG issues in the industry, each ESG issue is rated and prioritised by level of concern. The Board and the ESG Working Group reviews and acknowledges the results of the assessment, and has provided their own insights to the Group's material ESG issues.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an essential process to help the Group in understanding their views and concerns over business operations, with respect to ESG-related issues. With such, the Group can better assess ESG-related risks and make constant improvement to meet stakeholders' expectation and achieve financial excellence. Therefore, the Group communicates with both internal and external stakeholders to understand their expectations regarding ESG aspects, which could help the Group to integrate sustainability strategies into our business practices in the long-term.

The following table sets out our key stakeholders and the corresponding response and communication channels.

Stakeholders	**Expectations and Requirements**	**Means of Communication and Engagement Channels**
Government and regulators	• Contribution to local employment • Tax payment in full and on time	• Regular information reporting • Compliance reports • Examinations and inspections
Investors and shareholders	• Returns • Compliant operations • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone communication and corporate website • Financial reports and other publications
Business partners	• Performance of contracts	• Business communication
Clients	• Services with quality	• Customer service centre and hotline • Corporate website
Environment	• Environmental protection	• ESG reporting
Industry	• Establishment of industry standards • Enhancement of industry development	• Participation in industry forums • Participation in consultations
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development	• Meetings with employees • Employee mailbox • Training and seminars
Community and the public	• Enhancement of community environment • Participation in charity	• Corporate website • Community events

MATERIALITY ASSESSMENT

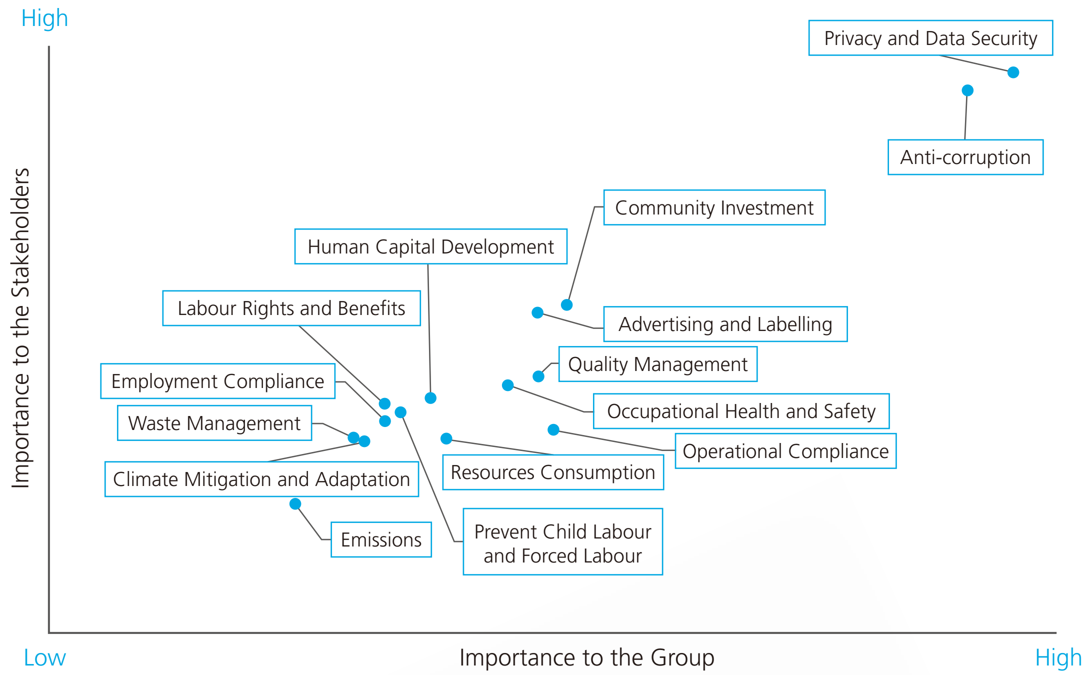
Materiality assessment has been conducted during the Reporting Period to identify and address key issues that may pose significant environmental and social impacts to the Group's business operations or stakeholders' interest, such assessment consists of three stages:

Issue Identification	Key ESG issues related to business operations and stakeholders' concerns are identified through benchmarking with peers, market research, stakeholder surveys, etc. The Group has also gathered the management's view on ESG-related issues through questionnaires. A materiality assessment questionnaire is then prepared based on the list of ESG issues and relevant stakeholders were invited to rate the potential material issues according to the level of importance of the ESG issues to the Group and to the stakeholders.
Materiality Ranking	Feedback and results obtained from different communication channels are consolidated. Key ESG issues are subsequently ranked with respect to its materiality to the Group and different stakeholders.
Material Issue Confirmation	Results from the materiality assessment were reviewed and confirmed by the Board and ESG Working Group in response to the concerns of various stakeholders. The information gathered helped the Group identify and prioritise ESG issues which are concerned by stakeholders and are highly related to the Group's business.

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding on the ESG-related issues concerned by the stakeholders.

The following graph shows the materiality matrix of the Group:

Materiality Matrix



ENVIRONMENTAL PROTECTION

Emissions

The Group recognises the importance of environmental protection. The Group is dedicated to minimising its environmental impact as a bid to tackle the global environmental-related issues such as climate change. To operate our office in an environmentally responsible manner, minimise office wastes and emissions and conserve energy, we have developed an internal "Environmental Policy" under the "Operation Manual" outlining our expectations for our employees on environmental-related practices. During the Reporting Period, we were not aware of any material non-compliance cases in relation to environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance and Waste Disposal Ordinance of Hong Kong, that had a significant impact on the Group.

Since the Group's operations is office-based and does not involve manufacturing or production processes, the Group does not generate air pollutants, hazardous waste, and packaging materials, hence no respective disclosures on policies and data are available and no respective targets have been set.

Greenhouse Gas ("GHG") Emissions

Since the Group's business and operations are service-based, production processes are not involved. However, there is a still minimal amount of emissions from daily office operations. During the Reporting Period, our Group's GHG emissions were mainly energy indirect GHG emissions (Scope 2) resulted from consumption of electricity and does not have any direct GHG emissions (Scope 1). To echo with government's "Hong Kong's Climate Action Plan 2050", the Group has set a target to actively respond to the government's emission reduction plan, striving to reduce carbon emission within the target period. To achieve this target, the Group actively adopts measures to reduce emission detailed in the section headed "Use of Resources – Energy Consumption".

During the Reporting Period, the decrease in total GHG emissions intensity was due to the effective implementation of the "Environmental Policy". The Group's GHG emissions and its intensity performance were as follows:

GHG emissions[1]	**Unit**	**2022**	2021
Total GHG emissions	tonnes of CO_2 equivalent ("tCO_2e")	**13**	15
– Direct GHG emissions (Scope 1)	tCO_2e	**–**	–
– Energy indirect GHG emissions (Scope 2)	tCO_2e	**13**	15
Intensity	tCO_2e/employee[2]	**0.87**	0.88

Notes:

1. GHG emissions are calculated with reference to the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the emission factor in "Sustainability Report 2021" published by HK Electric Investments Limited.

2. As at 31 March 2022, the Group's total employee was 15 (as at 31 March 2021: 17 employees). The data are also used for calculating other intensity data.

Waste Management

The Group understands that reducing waste is integral to the Group's goal to reduce its environmental footprint. Therefore, the Group puts emphasis on the management of waste generation. Non-hazardous waste produced by the Group mainly included paper waste from the Group's day-to-day office operations. The paper wastes are collected and centrally processed by the property management company of the Group's office. Due to the Group's business nature, the generation of hazardous waste such as ink cartridges is minimal and is considered immaterial, the disposal of which is performed by the Group's external printing services supplier.

The Group regularly monitors the consumption volume of paper, toner cartridges and ink cartridges. The Group has set a target to conduct annual activities such as seminars to enhance awareness and engagement among employees to integrate waste reduction practices into our daily office operation. In terms of waste reduction, the Group recognises the importance of raising awareness among employees and encouraging them to take the initiative. The Group upholds the principle of "Three Rs" – "Reduce", "Reuse" and "Recycle", so as to consume resources more efficiently and reduce waste production. Recycling bins and waste reduction reminders such as posters and signs are placed within office premises. Furthermore, the Group has taken the following measures as a bid to reduce paper waste:

- Perform internal approval procedures through electronic systems and emails;
- Encourage employees to communicate via electronic means; and
- Provide paper-free communication options for customers and shareholders.

During the Reporting Period, the non-hazardous wastes[3] generated was paper waste amounted to 524 kg and the non-hazardous waste intensity was 34.93 kg/employee.

Note:

3. During the Reporting Period, the Group has refined the data collection system by category of waste. The total non-hazardous waste amount for 2021 was 994 kg. Thus, direct comparison of the non-hazardous waste data of the two years is not applicable.

Use of Resources

The Group is fully aware that resources are finite and scarce; hence we strive to maximise resource utilisation by enhancing energy and operational efficiency. To achieve this, according to the "Environmental Policy", standard procedures are implemented to monitor the use of resources, while employees are advocated to adopt environmentally friendly initiatives to cultivate corporate green culture.

Energy Consumption

During the Reporting Period, the major type of energy consumed by the Group was in the form of electricity, which is an indirect consumption of energy, during daily operations in office premises.

The Group is energy-conscious, thus it targets to change all lighting in its operating locations to LED, which are significantly more energy-efficient, by the year ended 31 March 2027. The Group embraces the following green operational practices aiming to uphold the Group's commitment to GHG emissions reduction as well as energy conservation:

- Switch off unnecessary lighting when rooms are not in use;
- Keep light fixtures and lamps clean to maximise efficiency;
- Encourage employees to go green beyond in-office energy conservation; and
- Promote green and low-carbon travel by encouraging employees to take public transport in reducing aggregated carbon footprint.

During the Reporting Period, the total energy consumption intensity was maintained at a similar level as 2021 with the effective implementation of energy conservation measures. The Group's energy consumption and its intensity performance are as follows:

Energy consumption	**Unit**	**2022**	2021
Total energy consumption	MWh	**19**	21
– Direct energy consumption	MWh	**–**	–
– Indirect energy consumption	MWh	**19**	21
Intensity	MWh/employee	**1.27**	1.24

Water Consumption

The Group's water consumption is minimal and is considered immaterial. Hence, no target has been set regarding this aspect. As the property management company is responsible for the provision of water within our office premises, the Group did not encounter any issues in water sourcing.

The Environment and Natural Resources

Although the business nature of the Group does not involve highly-polluting production and operation procedures, we are dedicated to showing our effort in addressing environmental protection and enhancing resource efficiency. The Group recognises its potential to impact the environment in its office operation. We have established and continuously improved the environmental management system, allowing us to better assess the potential impacts of our business activities on the environment, and implement the necessary control measures accordingly.

Raising Environmental Awareness

In line with the aforementioned "Environmental Policy", we are committed to:

- Contributing to environmental sustainability through formulating and implementing sustainable development initiatives and environmental-friendly practices;
- Regularly reviewing our business practices to identify measures that enhance energy and resource efficiency, and continuously improve environmental performance;
- Conducting risk identification and impact assessment of environmental factors on a regular basis; and
- Designing risk response measures to avoid and mitigate adverse effects posed to our business and environment.

In addition to strictly requiring employees to implement the environmental protection measures formulated by the Group, the Group needs to proactively promote environmental awareness among its employees to effectively enhance its environmental protection standards. The Group will also consider participating in more feasible and appropriate activities to help its employees increase their awareness of the environment and natural resources.

Indoor Air Quality

The Group considers that providing a pleasant and safe working environment to its employees is of paramount importance. Indoor air quality is therefore regularly monitored and measured. To maintain indoor air quality at a satisfactory level, air purifying equipment is placed in the Group's premises and the ventilation system is cleaned periodically. By adopting these measures, the indoor air quality of the Group's premises has been satisfactory.

Climate Change

Over recent years, climate change has become one of the most discussed topics across different sectors, and has gradually emerged to pose risks against the operation and development of corporates. In response to the community's gradual concern on climate changes and related issues, the Group has implemented the "Climate Change Policy", which outlines the Group's management approach on climate-related issues and commitment to climate mitigation, adaptation and resilience across its operations and along the value chain. The Group identified the material impacts on the Group's business arising from the following risks:

Physical Risk

The Group is fully aware of the risks brought forth by climate change, especially the increasing frequency and intensity of extreme weather conditions such as typhoons. Such risk may potentially cause adverse impacts to the Group, such as increase in cost of repairment in the event of power shortage and damage of assets, and endangering the health and safety of employees. To ensure that all personnel are prepared to deal with such extreme weather conditions and safeguard their health and safety, we have developed comprehensive work arrangements in times of typhoon and rainstorm warnings under the "Employee Handbook" in the "Operation Manual". For example, the Group adopts a staggered release schedule for employees, giving priority to those who live in remote places where public transport is not easily accessible. A "Business Continuity Planning ("BCP") Policy" is also in place as a countermeasure for communicating to staff and managing incidents. In the event that an incident occurs, the designated Incident Management Team will handle the situation and invoke the BCP if necessary. Principally, the Group aims to ensure smooth business operations even during such conditions to mitigate the risks and impacts posed to the Group.

Transition Risk

The development of international policy and regulation on climate change, and the evolving commitment of the Hong Kong Government to carbon reduction may pose potential risks to the Group. Recently, the Stock Exchange requires listed companies to strengthen climate-related disclosures in their ESG reports, which may increase related compliance costs. Failure to meet climate change compliance requirements may expose the Group to the risk of claims and litigation, which may result in a possible loss of corporate reputation. The Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputation risk due to delay response.

In terms of market risk, there is an emerging trend that investors advocate for addressing climate change. In particular, green finance has been one of the top agendas to minimise the effect of climate change. As the market generates demand for ESG-friendly products or services, investors may withdraw capital from companies which fails to implement effective measures to manage climate risks. It will have a direct impact on the business development of the Group in a way that it may lose market share if it fails to meet the everchanging market demand. The Group will continue to maintain high transparency in our ESG risk management activities to build trust and confidence with investors. It is anticipated that focusing on green financial services to develop business is conducive to opening up new growth space for the Group, thereby also an increase in the market valuation of the Group's investment targets.

LABOUR PRACTICES

Employment

The Group believes that employees are the Group's most valuable asset that plays a crucial role in the development of the Group's business, thus the well-being of employees are always prioritised. The Group has formulated the "Employee Handbook" to standardise the policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group stringently abides by relevant labour laws and regulations during recruitment, promotion, remuneration and dismissal of employees, and looks to provide employees with a fair and healthy working environment. During the Reporting Period, the Group was not aware of any material non-compliance against employment-related laws and regulations, including but not limited to the Employment Ordinance of Hong Kong, that had a significant impact on the Group.

We recognise that employees always put great effort to assist the Group in providing clients with quality products and services. Therefore, we strive to offer the best support and resources to employees with the aim to maximise their potential, while enhancing working efficiency and job satisfaction. Standard and comprehensive policies and procedures have been established to govern employment management, ensuring compliance with relevant laws and regulations.

Equality and diversity are considered to be essential elements in human resources management. Throughout the entire recruitment process, all decisions will be made solely on one's qualification, experience, education and interview performance, and we assure all potential employees are treated equally and free from all kinds of discrimination. We do not tolerate any form of discrimination on the grounds of age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation and other factors, not only during the selection of candidates, but also the consideration of promotion, training and reward provision of employees. Employees are recognised and rewarded by their contribution, performance and skills.

To motivate and retain talents, we provide employees with attractive welfare packages. Benefits for full-time employees include but not limited to 5-days working per week, discretionary bonus, retirement benefits and employee discounts for brokerage services. Employees are also entitled to paid leaves such as annual leaves, sick leaves, maternity leaves, paternity leaves, marriage leaves, jury leaves, etc. For senior management, business meals disbursements are reimbursed in order to promote the relationships with business partners and clients.

Unsatisfactory job performance, failure to comply with the Group's policies and procedures or any other breaches of employer/employee relationship may result in disciplinary action. Employees will be dismissed after verbal and written warnings have been given and if no improvement is made. The Group does not tolerate the dismissal of employees on any unreasonable basis. In all cases, management will consult with the human resources department to ensure compliance with the Employment Ordinance.

As at 31 March 2022, the Group had a total of 15 employees (as at 31 March 2021: 17 employees). The employee composition by gender, age group, employment type and geographical location are as follows:

Employee composition	**2022**		2021	
	Number	**%**	*Number*	*%*
By gender				
Male	**11**	**73**	12	71
Female	**4**	**27**	5	29
By age group				
< 30	**1**	**7**	3	18
30–50	**10**	**66**	9	53
> 50	**4**	**27**	5	29
By employment type				
Permanent	**15**	**100**	17	100
Temporary	**–**	**–**	–	–
By geographical location				
Hong Kong	**15**	**100**	17	100

During the Reporting Period, the Group recorded a turnover rate[4] of 13%. The breakdown[5] of turnover rate by gender, age group and geographical location is depicted as below:

Turnover rate	**2022**	2021
	%	%
By gender		
Male	**9**	17
Female	**25**	–
By age group		
< 30	**–**	–
30–50	**10**	11
> 50	**25**	20
By geographical location		
Hong Kong	**13**	12

Notes:

4. Calculation method of turnover rate: (total number of departures in the reporting period ÷ total number of employees at the end of the reporting period) × 100%.

5. Calculation method of turnover rate for each category: (total number of departures in the specific category during the reporting period ÷ total number of employees in the specific category at the end of the reporting period) × 100%.

Occupational Safety and Health

The Group is committed to providing employees with a safe and healthy workplace to protect employees' physical and mental well-being. The "Occupational Safety and Health Policy" was formulated in its "Operation Manual" to provide guidelines to the protection of employees' health and safety. The Group is responsible for daily safety and health management, and collecting feedback from employees regarding satisfaction on working environment and existing safety and health measures for continuous review and improvement. A complete set of emergency procedures is maintained. Trainings and workshops are organised from time to time for employees at all-levels for a better adoption of workplace safety initiatives, increasing their awareness to stay vigilant towards all potential safety and health risks. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations, including but not limited to Occupational Safety and Health Ordinance, that had a significant impact on the Group.

During the Reporting Period, the Group did not record any lost working days due to work injuries. In each of the past three years including the Reporting Period, the Group did not record any work-related fatalities.

During the Reporting Period, the Coronavirus Disease 2019 ("COVID-19") pandemic was ongoing and has caused severe impacts across different sectors. Corporations and the general public are striving to maintain good environmental hygiene and protect personal health. The Group is no exception, placing the health and safety of employees as its top priority. Specifically, the Group has reduced in-person contacts between employees and clients by temporarily disabling physical security selling services. When the pandemic went into an acute phase, the Group implemented work-from-home measure on eligible staff. By doing so, the Group tried to minimise the operation risk of employee being infected by external personnel. Meanwhile, the Group has also strengthened its protective measures, including but not limited to distributing face masks and sanitisers for personal protection, and enhancing sterilisation of office area to provide employees with a safe working environment.

Development and Training

Staff training and development is one of the pillars to the healthy operations of the Group, as well as the driving force for employees to strive for future business growth. Therefore, training and development activities are held to enhance employees' professional skills and knowledge, providing them with upward mobility while strengthening the Group's competitiveness. The "Policy regarding Training for Staff, Management and Directors" is established under the Group's "Operation Manual" to provide relevant guidance. Training schedules are developed for all employees to best fit their learning needs. Training topics and materials are designed in accordance with company's mission and goals, industry trends, and relevant laws and regulations, such as transactions handling, client management and business ethics. In particular, all licensed employees are reminded by the compliance department to attend at least 5 hours continuous professional training ("CPT") for each regulated activity every year, under the competency requirement as stipulated by the Securities and Futures Commission ("SFC").

In addition to our mandatory training, we also encourage employees to attend conferences and external training programmes that focus on the topics relevant to their positions, and provide them with sufficient resources to upgrade themselves through obtaining different licenses and certifications, such as subsidies for application or renewal of memberships.

During the Reporting Period, all of the Group's employees participated in training. The average training hours[6] were 7.3 hours. The following is a summary of the training performance of the Group:

	2022			2021		
	Percentage of Trained Employees[7] %	**Breakdown of Trained Employee[8] %**	**Average Training Hours[9]**	Percentage of Trained Employees[7] %	Breakdown of Trained Employees[8] %	Average Training Hours[9]
By gender						
Male	**100**	**73**	**9**	100	N/A	5
Female	**100**	**27**	**3**	100	N/A	4
By employee category						
Senior	**100**	**20**	**8**	100	N/A	6
Middle	**100**	**60**	**9**	100	N/A	5
Junior	**100**	**20**	**3**	100	N/A	2

Notes:

6. Calculation of average training hours: total training hours during the Reporting Period ÷ total number of employees trained at the end of the Reporting Period.

7. Calculation of percentage of employees trained by category: (number of employees trained in the specific category during the reporting period ÷ total number of employees in the specific category at the end of the reporting period) × 100%.

8. Calculation of breakdown of employees trained by category: (number of employees trained in the specific category during the Reporting Period ÷ total number of employees trained in the specific category at the end of the Reporting Period) × 100%. Because the relevant figures are disclosed for the first time in 2022, comparative data are not available in this ESG Report. Data comparisons will be provided in the next reporting year.

9. Calculation of average training hours by category: training hours of employees in the specific category during the reporting period ÷ number of employees in the specific category at the end of the reporting period.

Preventing Child Labour and Forced Labour

The Group prohibits any use of child labour and forced labour over the entire business operations. Comprehensive recruitment policy has been set in correspondence with the Employment Ordinance of Hong Kong. During the Reporting Period, the Group was not aware of any material non-compliance cases in relation to child or forced labour against labour standard laws and regulations, including but not limited to the Employment Ordinance of Hong Kong, that had a significant impact on the Group.

In order to prevent child labour, procedures including identity verification are carried out by the human resources department during the recruitment process to ensure that no person under the age of 15 will be employed. Regarding the prevention of forced labour, acknowledgement of employee rights and duties are implemented for assurance that employees will not be forced to perform involuntary work. Official work schedule is set out in the "Employee Handbook" which clearly states the normal working hours and lunch hour. Regular or perpetual overtime is discouraged and considered inappropriate. In situations that overtime work is necessary and unavoidable, procedures are in place for staff to claim overtime compensation with prior approval from management.

If child labour or forced labour is found to be employed as a result of a breach of the recruitment procedures, the Group will immediately stop the work of the child labour or forced labour and conduct an investigation. Particularly regarding regular overtime, management will review the circumstances leading to the situation and look for other means to alleviate it, such as shift or staggered working hours.

OPERATION PRACTICES

The sustainable development of an enterprise highly hinges on the quality and efficiency of its business operations. The Group spares no effort in optimising its operations and maintaining its reputation properly managing its supply chain, strictly overseeing its services' quality, earnestly serving its customers with outstanding services, and behaving ethically in the market.

Supply Chain Management

Due to the Group's service-based business nature, no significant suppliers are involved in the Group's operations. However, service providers are engaged in our business operations to provide clients with its outstanding services, including but not limited to compliance advisors, legal counsels, etc. The Group has implemented the following practices on engagement for all service providers.

Throughout the selection and evaluation of different service providers, we place great emphasis on the service provider's business ethics and conduct, as well as its ESG performance and the potential environmental and social risks that may adversely impact the Group. We strive to incorporate sustainable development values throughout our entire service chain by prioritising service providers which upholds principles of environmental protection. Those service providers who fail to perform up to the Group's standards will be subject to rectification or improvement and may be penalised when and where appropriate. By regularly carrying out this inspection practice, the Group will monitor the environmental and social risks along the supply chain and ensure the effectiveness of the above supply chain management mechanism.

In addition, we are committed to ensuring fairness within our collaboration with service providers, therefore business contracts are formulated and signed by both parties where the terms and conditions and the basis of our relationship are clearly stated for the sake of clarity and mutual benefit. To establish and maintain a long-term relationship, constant communications are made to understand different concerns and expectations.

Service Responsibility

We provide services through operating our subsidiary, Sinomax Securities Limited, which is licensed with the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities in Hong Kong. We are dedicated to serving our clients with quality services. Close interactions with clients are encouraged to allow better understanding of needs and concerns. To ensure compliance with the Securities and Futures Ordinance of Hong Kong (the "SFO") within our services, the compliance department established standard controls and procedures in safeguarding clients' assets and identifying potential non-compliance cases. Regular review is conducted on business operation functions such as money laundering, liquidity capital and staff trading activities by senior management to achieve continuous improvement.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations in relation to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress, including but not limited to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the SFO and the Listing Rules. The operation of the Group does not involve health and safety issues relating to products and services provided, hence no recall of products due to health and safety reasons is required.

Complaint Management

The Group recognises that complaint management is a key process in supporting the Group's growth and development. If not properly managed, repeated errors may lead to reputational, litigation and financial issues. Therefore, the Group has enforced a clear set of complaint management process in the "Operation Manual" to ensure that complaints are handled in a timely and appropriate manner. Throughout the complaint processing procedures, complaints are investigated and analysed in a just and fair manner, where the client's viewpoint on the complaint is given appropriate consideration. Feedback is then provided to the complaining client to settle the incident.

During the Reporting Period, the Group did not receive any significant complaints regarding its services.

Data Protection and Privacy

Due to its business nature, the Group handles a large amount of customer personal or corporate information. The Group attaches high importance to safeguarding clients' interests and privacy and strives to maintain and protect personal data. To protect customers privacy and confidentiality, comprehensive policy has been set in accordance with the Personal Data (Privacy) Ordinance of Hong Kong. The Group has implemented the "Personal Data (Privacy) Policy", where principles, guidelines and measures for data protection are clearly set out, aiming to protect the privacy of customers in relation to personal data. Steps are taken to ensure that personal data is only collected for a necessary purpose by lawful and fair means, and not kept longer than is necessary.

Since the online trading system is crucial to the Group's securities trading business, the Group has in place IT security rules in its "Operation Manual" to safeguard its IT infrastructure. A multi-tiered firewall is deployed as the Group's network security infrastructure to protect critical systems of the Group and client data against cyber-attacks. All personal data are centralised and stored with strict confidentiality by the Group's human resources department, while access to customer data is strictly limited to authorised personnel on a need-to-know basis to avoid any data leakage. Furthermore, two-factor authentication is adopted for clients who wish to log in to their internet trading accounts, reducing the potential risks associated with hacking. The Group closely monitors the stability and performance of its online trading system and IT infrastructure as well as any intrusions or access by unauthorised persons. Any changes or upgrades are thoroughly tested before being used for actual client trading. Regarding any irregularities attributable to external service providers, liaison shall be carried out for rectification. The Group has also devised IT-related controls and contingency plans with backup procedures in place to ensure the continuity of its operations without disruption due to the breakdown of its IT system. Clients' trading records can be retrieved from the backup data storage centre promptly in the event of any disruption to its main server storage.

Employees are responsible for safeguarding the Group's properties as well as information security. Thus, the "Employee Handbook" stipulates house rules on the use of personal computer including system security, data backup, use of e-mail and internet. Employees are also required to observe the IT security standards and guidelines established and communicated to them by the Information Technology Department.

Intellectual Property Rights

Despite intellectual property rights are not considered a material ESG aspect to the Group due to the Group's business nature, the Group has established an IT-related policy mentioned in the paragraph headed "Data Protection and Privacy" above to govern the IT management within the Group. Guideline is provided to employees to prohibit them from utilising internet access to communicate information that may infringe any intellectual property rights. Furthermore, the Group closely monitors and prevents any infringement behaviour such as counterfeit trademarks in the market. The Group will continue to monitor such behaviour to ensure that its intellectual property rights are not being infringed upon.

Advertising and Labelling

Due to its business nature, the Group conducts limited advertising campaigns and therefore does not involve any significant advertising-related risks. Nevertheless, in terms of the advertisement of products and services, the Group strictly regulates and monitors products and services promotion to ensure that they comply with advertising and labelling related laws and regulations. Such marketing and promotion must accurately reflect the quality and performance of the Group's services.

Anti-corruption

The Group emphasises employees' integrity and conduct throughout the entire operations, and has zero tolerance against all forms of corruption and bribery issues. The Group has implemented its "Code of Conduct", which governs the proper behaviour of which employees should abide to. Bribes, kickbacks, payments, advantages and other corruptive behaviour are all strictly prohibited. During the Reporting Period, we were not aware of any material non-compliance or concluded legal cases noted in relation to corruption-related laws and regulations, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, that had a significant impact on the Group.

To avoid conflict of interests, employees are not allowed to accept loans from or provide loans to the Group's business associates. They are also advised to exercise judgement and withdraw from any high-stake games or frequent and excessive gambling. Furthermore, the Group provides training for employees of all-levels in enhancing their awareness on anti-money laundering and relevant laws and regulations. During the Reporting Period, the Group has provided two training sessions for two hours to all directors and general staff respectively regarding anti-money laundering and counter-terrorist financing. The training has provided employees with invaluable information on how to identify deals suspicious of corruptive behaviour, the most updated regulations and requirements for authorities, and newest trends and development on Hong Kong's anti-money laundering situation.

As a financial service provider, customer due diligence is important for the Group to prevent corruption. As set out in the "Operation Manual", the compliance officer is responsible for performing customer due diligence and "Know Your Customer" under the "Prevention of Money Laundering and Counter Terrorist Financing Guideline" and the "Code of Conduct".

The "Whistleblowing Policy" is established for reporting possible improprieties regarding corruptive behaviour, where specific reporting procedures are set out. The policy indicates multiple independent reporting channels, including in-person reporting, emails, and the "Whistleblowing Hotline". Whistle-blowers are protected under the policy, ensuring no retaliation and complete confidentiality and anonymity to whistle-blowers.

COMMUNITY

Community Investment

The Group attaches great importance to community contribution, investment and development. Therefore, the Group has formulated a "Community Investment Policy" to uphold its commitments to actively repay and contribute to the society and promote social harmony. We advocate social contributions and proactively reach out to different opportunities to give back to the community with focus areas such as health and labour needs. We always encourage employees to engage in voluntary and charitable events, to cultivate social responsibility awareness and provide aid to the community.

Owing to the outbreak of COVID-19 pandemic, the Group has temporarily suspended the organisation and participation of charitable and voluntary activities during the Reporting Period. Should the pandemic begin to ease off, the Group will reallocate its resources to focus more on community investment activities. In the future, we will continue to step up our community contribution by dedicating more resources and efforts to organising and participating in charitable activities, so as to better contribute to and share our fruitful growth with the community.

Independent Auditor's Report

bakertilly
天職國際

To the Shareholders of Fu Shek Financial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fu Shek Financial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 139, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 March 2022, 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 MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Estimated impairment loss on accounts receivable from margin clients arising from the business of dealing in securities	
We identified estimated impairment loss on accounts receivable from margin clients arising from the business of dealing in securities as a key audit matter due to the involvement of significant management judgements, estimates and assumptions in the expected credit loss ("ECL") measurement. As detailed in note 4 to the consolidated financial statements, the ECL measurement involves significant judgements, estimates and assumptions in (1) the determination of the criteria for significant increase in credit risk ("SICR") by reference to the past-due days, (2) the selection of appropriate models, assumptions and parameters used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), and (3) the consideration of reasonable and supportable forward-looking information available without undue cost or effort in the ECL model. As disclosed in note 20 to the consolidated financial statements, the gross amount of accounts receivable from margin clients arising from the business of dealing in securities as at 31 March 2022 was HK$287,432,000 with accumulated impairment loss of HK$1,637,000.	Our procedures in relation to the estimated impairment loss on accounts receivable from margin clients arising from the business of dealing in securities included: • Understanding the Group's established credit risk policies and procedures for impairment assessment under ECL model under HKFRS 9 Financial Instruments ("HKFRS 9"), including selection and application of assumptions and key inputs into the model; • Understanding and testing the design and implementation and operating effectiveness of the key internal controls over ongoing monitoring process including the margin call procedures for margin shortfall and actions taken by the management of the Group for accounts receivable from margin clients arising from the business of dealing in securities; • Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or accounts receivable from margin clients arising from the business of dealing in securities is credit-impaired and their basis for classification of exposures into the 3 stages as required by HKFRS 9; • Examining supporting documents, on a sample basis, for testing the application of staging classification for accounts receivable from margin clients arising from the business of dealing in securities as at the end of the reporting period; • Evaluating the reasonableness and appropriateness of the ECL model and the assumptions and parameters used in the model including PD, LGD and the forward-looking probability weighted economic scenarios; • Assessing the accuracy of key input data for calculating parameters used in the ECL model by comparing the input data with source documents such as default rates published by credit rating agencies; and • Assessing the values of pledged collaterals, on a sample basis, from clients held by the Group as at the end of the reporting period used in the determination of LGD by checking to publicly available information.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by another independent auditor whose report dated 30 June 2021 expressed an unmodified opinion on those consolidated financial statements.

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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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.

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

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.

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

The engagement director on the audit resulting in this independent auditor's report is Chan Kwan Ho, Edmond.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong
30 June 2022
Chan Kwan Ho, Edmond
Practising certificate number P02092

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue			
Fee and commission income	5	**15,999**	19,481
Interest income under effective interest method		**22,032**	19,707
		38,031	39,188
Other gains	7	**226**	125
Other income	8	**887**	659
Staff costs	9	**(10,702)**	(10,247)
Finance costs	10	**(906)**	(1,911)
Impairment loss, net of reversal	11	**(480)**	(1,516)
Commission expenses		**(1,925)**	(1,674)
Depreciation of property and equipment		**(1,831)**	(1,886)
Other operating expenses		**(7,839)**	(9,714)
Profit before taxation	12	**15,461**	13,024
Taxation	13	**(2,653)**	(2,336)
Profit and total comprehensive income for the year		**12,808**	10,688
Earnings per share			
Basic *(HK cents per share)*	15	**1.28**	1.07

Consolidated Statement of Financial Position

At 31 March 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property and equipment	17	**2,799**	1,616
Intangible asset	18	**2,735**	2,735
Other assets	19	**415**	697
Deposits	21	**519**	–
		6,468	5,048
Current assets			
Accounts receivable	20	**287,461**	295,770
Deposits, other receivables and prepayments	21	**292**	858
Tax recoverable		**–**	2,706
Bank balances – trust and segregated accounts	22	**152,569**	141,537
Bank balances – general accounts and cash	22	**103,725**	92,411
		544,047	533,282
Non-current liabilities			
Lease liabilities	26	**1,270**	–
Current liabilities			
Accounts payable	23	**174,546**	206,198
Other payables and accrued charges	24	**2,888**	3,463
Bank borrowings	25	**30,000**	–
Tax payable		**392**	–
Lease liabilities	26	**1,457**	1,515
		209,283	211,176
Net current assets		**334,764**	322,106
Net assets		**339,962**	327,154
Capital and reserves			
Share capital	27	**10,000**	10,000
Reserves		**329,962**	317,154
Total capital and reserves		**339,962**	327,154

The consolidated financial statements on pages 70 to 139 were approved and authorised for issue by the Board of Directors on 30 June 2022 and are signed on its behalf by:

Sy Man Chiu
Director

Ng Sik Chiu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Attributable to owners of the Group				
	Share capital	Share premium	Retained earnings	Other reserve	Total
	HK'$000	*HK'$000*	*HK'$000*	*HK'$000*	*HK'$000*
At 1 April 2020	10,000	104,819	121,647	80,000	316,466
Profit and total comprehensive income for the year	–	–	10,688	–	10,688
At 31 March 2021	**10,000**	**104,819**	**132,335**	**80,000**	**327,154**
Profit and total comprehensive income for the year	**–**	**–**	**12,808**	**–**	**12,808**
At 31 March 2022	**10,000**	**104,819**	**145,143**	**80,000**	**339,962**

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	NOTES	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**15,461**	13,024
Adjustments for:			
Interest expense	10	**906**	1,911
Depreciation of property and equipment	12	**1,831**	1,886
Impairment loss recognised (reversed) in respect of			
– accounts receivable arising from the business of dealing in securities	11	**–**	1,637
– accounts receivable arising from placing and underwriting services	11	**480**	(61)
– other receivables	11	**–**	(60)
Bank interest income	8	**(487)**	(566)
Operating cash flows before movements in working capital		**18,191**	17,771
Decrease (increase) in accounts receivable		**7,829**	(78,056)
Decrease in other assets		**282**	92
Decrease in deposits, other receivables and prepayments		**3**	9,811
Increase in bank balances – trust and segregated accounts		**(11,032)**	(30,185)
(Decrease) increase in accounts payable		**(31,652)**	49,778
Decrease in other payables and accrued charges		**(575)**	(251)
Cash used in operations		**(16,954)**	(31,040)
Bank interest received		**487**	566
Hong Kong Profits Tax refunded (paid)		**445**	(12,935)
NET CASH USED IN OPERATING ACTIVITIES		**(16,022)**	(43,409)
INVESTING ACTIVITY			
Purchase of property and equipment		**(7)**	(63)
NET CASH USED IN INVESTING ACTIVITY		**(7)**	(63)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2022

	NOTES	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES			
Repayments of lease liabilities	31	**(1,751)**	(1,737)
New bank borrowings raised	31	**30,000**	–
Repayment of bank borrowings	31	**–**	(10,000)
Interest paid on bank borrowings and short-term advances from brokers	31	**(846)**	(1,788)
Interest paid on lease liabilities	31	**(60)**	(123)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**27,343**	(13,648)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**11,314**	(57,120)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**92,411**	149,531
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**103,725**	92,411
Represented by:			
Bank balances – general accounts and cash	22	**103,725**	92,411
Net cash generated by operating activities include:			
Interest received from securities dealings and margin financing services		**22,032**	19,707

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK") on 19 February 2020. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is situated at Flat 2705–6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company's immediate and ultimate holding company is Man Chase Holdings Limited ("Man Chase"), a company incorporated in the British Virgin Islands ("BVI"), which is owned by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai, who are independent from each other and who have always been the controlling shareholders of the Company and other entities comprising the Group.

The principal activities of the Group are the provision of securities dealing and brokerage services, placing and underwriting services, securities margin financing services and asset management services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, 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 NEW AND 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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax relating to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intend Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle[1]

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

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

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

3.1 Basis 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 primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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 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 the consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

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. BASIC 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 a 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 reassess 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.

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

3. BASIC 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 services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct 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 service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (including commission expenses) as an asset if it expects to recover these costs. The asset so recognised is subsequently charged to profit or loss at the point when the revenue relating to the relevant contracts is recognised in profit or loss.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Financial instruments

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

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

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

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

3. BASIC 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 combinations to which HKFRS 3 "Business Combinations" applies.

3. BASIC 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)*

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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. 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 (with the amortised cost being the gross carrying amount less the accumulated impairment allowance). 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.

3. BASIC 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

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

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

The Group always recognises lifetime ECL for accounts receivable arising from placing and underwriting services. The ECL on these assets are assessed individually based on the Group's historical default rates or by reference to the probability of default ("PD") and loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) of credit ratings published by international credit rating agencies over the expected life, taking into consideration the forward-looking information.

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.

3. BASIC 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 *(Continued)*

(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; or
- 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 except for accounts receivable arising from the business of dealing in securities where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIC 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 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a bank balance has not increased significantly since initial recognition if the bank balance is determined to have low credit risk at the reporting date. The Group considers a bank balance to have low credit risk when it has a higher external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

For internal credit risk management, the Group considers the event of default occurs when the 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 except for accounts receivable arising from the business of dealing in securities where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIC 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 *(Continued)*

(iii) Credit-impaired financial assets

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

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

(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, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. 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. BASIC 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 *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the PD, LGD and the exposure at default ("EAD"). The assessment of the PD and LGD 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.

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

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 it 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.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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 Group are recognised at the proceeds received, net of direct issue cost.

Financial liabilities at amortised cost

Financial liabilities including accounts payable, other payables and bank borrowings are subsequently measured at amortised cost using the effective interest method.

The financial liabilities of the Group are all carried at amortised cost.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property and equipment

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

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment of non-financial assets below).

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, including right-of-use assets, to determine whether there is any indication that those 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 asset with indefinite useful lives is tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property and equipment, including right-of-use assets, and intangible asset 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.

3. BASIC 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 *(Continued)*

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

3. BASIC 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 profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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.

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 by the same taxation authority.

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

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Borrowing costs

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

Government grants

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

Government grants relate to income that is 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. Grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Lease

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, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

***Lease** (Continued)*

As a lessee (Continued)

Leases of low-value assets

The Group applies the recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

Right-of-use asset is 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 in "property and equipment".

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.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Lease *(Continued)*

As a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) 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.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Lease *(Continued)*

As a lessee (Continued)

Lease modifications

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

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

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivables, 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.

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 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.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Short-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) after deducting any amount already paid.

Retirement benefits costs

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

Provision

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

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimated impairment loss on accounts receivable from margin clients arising from the business of dealing in securities

The estimated impairment loss on accounts receivable from margin clients arising from the business of dealing in securities is an area that requires the use of models and management assumptions about future economic conditions and the credit risk of the margin clients. In applying the accounting requirements for measuring ECL, the management of the Group exercised significant judgements, estimates and assumptions in (1) the determination of the criteria for significant increase in credit risk ("SICR") by reference to the number of the past-due days, (2) the selection of appropriate models, assumptions and parameters used in the ECL model, including the PD and LGD, and (3) the consideration of reasonable and supportable forward-looking information available without undue cost or effort in the ECL model.

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

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 within the next financial year.

Estimated impairment loss on accounts receivable from margin clients arising from the business of dealing in securities

Inputs, assumptions and estimation techniques

ECL of accounts receivable from margin clients is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 (credit risk has increased significantly since initial recognition) or 3 (credit-impaired) as defined in note 33. ECL is the discounted product of expected future cash flows by using the PD, LGD and EAD, of which PD and LGD are estimates based on significant management judgement and estimates. For accounts receivable arising from margin clients, the management of the Group performed individual assessment for each client by considering various factors, including the fair value of the collaterals held by the Group.

Forward-looking information

The calculation of ECL considers reasonable and supportable forward-looking information available without undue cost or effort through the use of publicly available economic data and forecasts and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios. Details of the impairment assessment of accounts receivable from margin clients arising from the business of dealing in securities are disclosed in note 33.

Estimated impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash flow projection to which intangible asset has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to generate in the cash flow projection and a suitable discount rate and growth rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2022, the carrying amount of intangible asset is HK$2,735,000 (2021: HK$2,735,000), no impairment losses is recognised (2021: HK$Nil). Details of the intangible asset are disclosed in note 18.

5. FEE AND COMMISSION INCOME

	2022	2021
	HK$'000	HK$'000
Commission and brokerage income on securities dealing	10,448	16,183
Placing and underwriting services income	2,625	2,103
Handling and other fee income	2,919	1,187
Asset management fee income	7	8
	15,999	19,481

Disaggregation of fee and commission income from contracts with customers

	2022	2021
	HK$'000	HK$'000
Timing of revenue recognition		
A point in time	15,758	19,226
Over time	241	255
	15,999	19,481

Performance obligations for contracts with customers

Brokerage services

The Group provides brokerage services to customers on 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.

Placing and underwriting services

The Group provides underwriting, sub-underwriting and placing services to customers. Revenue is recognised at a point in time when the relevant underwriting, sub-underwriting and placing activities are completed. Payments are received in accordance to the completion of relevant underwriting, sub-underwriting and placing activities as specified in the agreement. The period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less.

5. FEE AND COMMISSION INCOME *(Continued)*

Performance obligations for contracts with customers *(Continued)*

Asset management services

Asset management services to customer are recognised over time as the Group provides asset management services and the customer simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group. Management fee is normally due half-yearly.

Handling and other services

The Group provides services in securities trading and customer's account handling. Handling and other services fee income are recognised when the transactions are executed and services are completed.

The Group provides custodian services for securities customer accounts. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time.

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

The Group applied the practical expedient in HKFRS 15 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, placing and underwriting services and handling and other services that are unsatisfied (or partly unsatisfied). In addition, the transaction price allocated to performance obligations of the asset management services is not disclosed due to variable consideration constraint.

6. SEGMENT INFORMATION

The Group's operating segment is determined based on information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purpose of resource allocation and assessment of segment performance.

The Group's reportable and operating segments under HKFRS 8 are as follows:

(a) the brokerage services segment comprises the provision of brokerage services in securities traded in Hong Kong and overseas markets;

(b) the margin financing services segment comprises the provision of financing services to margin and cash clients;

(c) the placing and underwriting services segment comprises the provision of underwriting, sub-underwriting and placing services; and

(d) the new asset management services segment comprises the provision of investment management services.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other gains, unallocated staff costs, unallocated reversal of impairment loss, unallocated finance costs, depreciation and unallocated other operating expenses. No inter-segment revenues are charged among segments.

6. SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2022

	Brokerage services *HK$'000*	Margin financing services *HK$'000*	Placing and underwriting services *HK$'000*	Asset management services *HK$'000*	Total *HK$'000*
Segment revenue	**13,367**	**22,032**	**2,625**	**7**	**38,031**
Segment profit/(loss)	**9,452**	**21,186**	**70**	**(173)**	**30,535**
Other gains					**226**
Other income					**887**
Unallocated staff costs					**(8,119)**
Unallocated finance costs					**(60)**
Depreciation					**(1,831)**
Unallocated other operating expenses					**(6,177)**
Profit before taxation					**15,461**
Other segment information:					
Interest income from clients	**–**	**22,032**	**–**	**–**	**22,032**
Interest on bank borrowings and short-term advances from brokers	**–**	**(846)**	**–**	**–**	**(846)**
Commission expenses	**(630)**	**–**	**(1,295)**	**–**	**(1,925)**
Impairment loss	**–**	**–**	**(480)**	**–**	**(480)**

6. SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2021

	Brokerage services *HK$'000*	Margin financing services *HK$'000*	Placing and underwriting services *HK$'000*	Asset management services *HK$'000*	Total *HK$'000*
Segment revenue	17,370	19,707	2,103	8	39,188
Segment profit/(loss)	13,320	16,282	256	(142)	29,716
Other gains					125
Other income					659
Unallocated staff costs					(7,045)
Unallocated reversal of impairment loss					60
Unallocated finance costs					(123)
Depreciation					(1,886)
Unallocated other operating expenses					(8,482)
Profit before taxation					13,024
Other segment information:					
Interest income from clients	–	19,707	–	–	19,707
Interest on bank borrowings and short-term advances from brokers	–	(1,788)	–	–	(1,788)
Commission expenses	(746)	–	(928)	–	(1,674)
Impairment (loss) reversed except for certain unallocated impairment loss reversed	–	(1,637)	61	–	(1,576)

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are principally located in Hong Kong and all of the Group's revenue and non-current assets are derived from and located in Hong Kong.

Information about major customers

No single customer contributed 10% or more the Group's revenue during the years ended 31 March 2022 and 2021 respectively.

7. OTHER GAINS

	2022	2021
	HK$'000	*HK$'000*
Exchange gain	**226**	125

8. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**487**	566
Government grants	**–**	50
Sundry income	**400**	43
	887	659

During the year ended 31 March 2021, the Group recognised government grants of HK$775,000 in respect of COVID-19-related subsidies, of which HK$725,000 relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs and HK$50,000 related to an unconditional subsidy under Subsidy Scheme for the Securities Industry specified in the Hong Kong government's "Anti-epidemic Fund".

9. STAFF COSTS

	2022 *HK$'000*	2021 *HK$'000*
Directors' remuneration		
– fees	**720**	720
– salaries, discretionary bonus and other benefits	**3,177**	3,249
– contributions to the retirement benefit scheme	**18**	24
Salaries, discretionary bonus and other benefits	**6,591**	6,786
Contributions to the retirement benefit scheme	**196**	193
	10,702	10,972
Less: Government grants	**–**	(725)
	10,702	10,247

10. FINANCE COSTS

	2022 *HK$'000*	2021 *HK$'000*
Interest on short-term advances from brokers	**101**	1,541
Interest on bank borrowings	**745**	247
Interest on lease liabilities	**60**	123
	906	1,911

11. IMPAIRMENT LOSS, NET OF REVERSAL

	2022	2021
	HK$'000	HK$'000
Impairment loss recognised (reversed) on:		
– Accounts receivable arising from the business of dealing in securities	–	1,637
– Accounts receivable arising from placing and underwriting services	480	(61)
– Other receivable	–	(60)
	480	1,516

12. PROFIT BEFORE TAXATION

	2022	2021
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment *(note 17)*	1,831	1,886
Auditor's remuneration		
– Annual audit	950	1,700
– Interim review	200	500
Legal and professional fees	1,963	1,905
Information services expenses	1,731	1,572
Settlement and brokerage trading expenses	1,662	1,232
Compliance advisory fee	480	960

13. TAXATION

	2022	2021
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**2,739**	2,351
Overprovision in prior years	**(86)**	(15)
	2,653	2,336

Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The taxation for the year is reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	HK$'000	*HK$'000*
Profit before taxation	**15,461**	13,024
Tax at income tax rate of 16.5%	**2,551**	2,149
Tax effect of expenses not deductible for tax purpose	**429**	598
Tax effect of income not taxable for tax purpose	**(80)**	(224)
Overprovision in prior years	**(86)**	(15)
Tax effect of profit under tax concessions	**(175)**	(175)
Others	**14**	3
Taxation for the year	**2,653**	2,336

As at 31 March 2022 and 2021, the Group has no unused tax losses available for offset against future profits.

14. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 March 2022

Name	Directors' fee *HK$'000*	Salaries and allowances *HK$'000*	Employer's contribution to MPF *HK$'000*	Discretionary bonuses *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Sy Man Chiu *(chief executive)*	–	822	–	784	1,606
Mr. Ng Sik Chiu	–	756	18	815	1,589
Non-executive Director					
Mr. Keng Stephen Lee	360	–	–	–	360
Independent Non-executive Directors					
Dr. Yu Sun Say	120	–	–	–	120
Mr. Lai Man Sing	120	–	–	–	120
Ms. Tsang Ngo Yin[1]	60	–	–	–	60
Dr. Ho Chung Tai Raymond[2]	60	–	–	–	60
	720	1,578	18	1,599	3,915

1 Ms. Tsang Ngo Yin was appointed as independent non-executive director of the Company on 1 October 2021.

2 Dr. Ho Chung Tai Raymond resigned as independent non-executive director of the Company on 1 October 2021.

14. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 March 2021

Name	Directors' fee *HK$'000*	Salaries and allowances *HK$'000*	Employer's contribution to MPF *HK$'000*	Discretionary bonuses *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Sy Man Chiu *(chief executive)*	–	822	6	621	1,449
Mr. Ng Sik Chiu	–	756	18	1,050	1,824
Non-executive Director					
Mr. Keng Stephen Lee	360	–	–	–	360
Independent Non-executive Directors					
Dr. Yu Sun Say	120	–	–	–	120
Mr. Lai Man Sing	120	–	–	–	120
Dr. Ho Chung Tai Raymond	120	–	–	–	120
	720	1,578	24	1,671	3,993

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The discretionary bonus is determined by reference to the duties and responsibilities within the Group and the Group's performance.

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 non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

14. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Five highest paid individuals

The five highest paid individuals included two directors (2021: two) for the year ended 31 March 2022, and details of whose emoluments were disclosed above. Details of the emoluments for the remaining three highest paid individuals (2021: three) for the year ended 31 March 2022 are as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries, commission and allowances	**3,855**	3,219
Discretionary bonus	**501**	852
Contributions to retirement benefit scheme	**54**	54
	4,410	4,125

Their emoluments were within the following bands:

	Number of employees	
	2022	2021
HK$nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**2**	2
	3	3

During the years ended 31 March 2022 and 2021, no emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**12,808**	10,688

	Number of shares	
	2022	2021
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation *('000)*	**1,000,000**	1,000,000

No diluted earnings per share is presented for the years ended 31 March 2022 and 2021 as there were no potential dilutive shares.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: HK$Nil).

17. PROPERTY AND EQUIPMENT

	Furniture and fixtures	Office equipment	Computer	Leasehold improvements	Sub-total	Right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 April 2020	303	69	321	97	790	3,584	4,374
Additions	–	7	56	–	63	–	63
At 31 March 2021	303	76	377	97	853	3,584	4,437
Additions	–	7	–	–	7	3,007	3,014
Eliminated upon end of lease	–	–	–	–	–	(3,584)	(3,584)
At 31 March 2022	303	83	377	97	860	3,007	3,867
ACCUMULATED DEPRECIATION							
At 1 April 2020	206	65	269	97	637	298	935
Provided for the year	51	3	40	–	94	1,792	1,886
At 31 March 2021	257	68	309	97	731	2,090	2,821
Provided for the Year	46	3	38	–	87	1,744	1,831
Eliminated upon end of lease	–	–	–	–	–	(3,584)	(3,584)
At 31 March 2022	303	71	347	97	818	250	1,068
CARRYING VALUES							
At 31 March 2022	–	12	30	–	42	2,757	2,799
At 31 March 2021	46	8	68	–	122	1,494	1,616

17. PROPERTY AND EQUIPMENT *(Continued)*

The above items of property and equipment, after taking into account the residual values, are depreciated on a straight-line basis as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Computer	3 years
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Right-of-use assets	Over the lease terms

For both years, the Group leases an office premise for its operation. During the year ended 31 March 2022, the Group entered into lease modification for the use of leased office premise for 2 years. On the effective date of the lease modification, the Group recognised right-of-use assets of HK$3,007,000 and lease liabilities of HK$2,963,000.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

No extension or termination options are included in the lease agreements entered by the Group. Total cash outflow for leases for the year ended 31 March 2022 amounted to HK$1,811,000 (2021: HK$1,860,000).

18. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2020, 31 March 2021 and 31 March 2022	3,250
AMORTISATION	
At 1 April 2020, 31 March 2021 and 31 March 2022	(515)
CARRYING VALUES	
At 1 April 2020, 31 March 2021 and 31 March 2022	2,735

18. INTANGIBLE ASSET *(Continued)*

Intangible asset represents a trading right in the SEHK. Previously, the trading right was considered to have a definite estimated useful life and was amortised over its estimated useful life. As at 31 March 2016, the directors of the Company performed a review of the accounting estimates and considered that such trading right has no foreseeable limit to the period over which the Group can use it to generate net cash flows. As a result, from year 2016 onwards, the trading rights was reconsidered by the management of the Group as having an indefinite useful life because it was expected to contribute to net cash inflows indefinitely. Therefore, the trading right ceased to be amortised and instead, it is tested for impairment annually and whenever there is an indication that it may be impaired.

As the trading right is not transferable, the recoverable amounts of the trading right held by the Group has been determined with reference to the recoverable amounts based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and at a pre-tax discount rate of 12% (2021: 12%) and growth rate is 0% (2021: 0%). The cash flow projections beyond the 5-year period are extrapolated using a steady 0% (2021: 0%) growth rate. A key assumption for the value-in-use calculation is the growth rate as 0% (2021: 0%), which is determined based on management's expectations for the market development.

Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate recoverable amount of the trading right to fall below the aggregate carrying amount of the trading right.

19. OTHER ASSETS

	2022	2021
	HK$'000	*HK$'000*
The SEHK		
– Compensation Fund deposits	**50**	50
– Fidelity Fund deposits	**50**	50
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– Admission fees	**50**	50
– Guarantee Fund contribution	**265**	547
	415	697

20. ACCOUNTS RECEIVABLE

	2022	2021
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities *(note a)*		
– HKSCC	**727**	34,859
– Cash clients	**204**	301
– Margin clients	**287,432**	261,019
Accounts receivable arising from placing and underwriting services *(note b)*	**1,915**	1,928
	290,278	298,107
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	**(1,637)**	(1,637)
– accounts receivable arising from placing and underwriting services	**(1,180)**	(700)
	287,461	295,770

Notes:

(a) The normal settlement terms of accounts receivable from cash clients and securities clearing house are two days after trade date. In respect of accounts receivable from cash clients which are past due at the end of the reporting period, the ageing analysis (from settlement date) is as follows:

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**1**	20
31–60 days	**–**	–
61–90 days	**17**	–
Over 90 days	**1**	16
	19	36

Accounts receivable of securities margin clients are secured by clients' pledged securities with fair value of HK$1,761,620,000 (2021: HK$1,451,330,000). All of the pledged securities are equity and debt securities listed in Hong Kong and overseas. The accounts receivable of securities margin clients are repayable on demand subsequent to settlement date and carrying interest typically at Hong Kong Prime rate + 2% per annum as at 31 March 2022 and 2021 (and in some cases the rate may go up to 14.4% (2021: 14.4%) per annum). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collaterals held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

20. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The Group has concentration of credit risk as 63% (2021: 59%) of the total accounts receivable from securities margin clients was due from the Group's ten largest securities margin clients. The balance includes an aggregate amount of HK$181,500,000 (2021: HK$152,147,000), which is not past due, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK$996,012,000 (2021: HK$907,995,000). The directors of the Company believe that the amount is considered recoverable given the collateral is sufficient to cover the entire balance on individual basis. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

Details of the credit risk profile disclosure and movements in the allowance for impairment for the years ended 31 March 2022 and 2021 are set out in "credit risk and impairment assessment" in note 33.

Included in accounts receivable from cash and margin clients arising from the business of dealing in securities are amounts due from certain related parties. The details are as follows:

Name	**Balance at 1 April 2020**	**Balance at 31 March and 1 April 2021**	**Balance at 31 March 2022**	**Market value of pledged securities as at 31 March 2021**	**Market value of pledged securities as at 31 March 2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Yeung Lai Lai and close members of her family	–	1,184	811	2,377	812
Mr. Sy Man Chiu and close members of his family	–	–	142	–	4,553

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other cash and margin clients.

(b) No credit period is granted for accounts receivable arising from placing and underwriting services. The ageing analysis (based on the revenue recognition date) is as follows:

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**–**	43
31–90 days	**300**	200
91–120 days	**385**	530
121–180 days	**–**	–
181–365 days	**–**	455
Over 365 days	**1,230**	700
	1,915	1,928

Impairment allowance of HK$1,180,000 (2021: HK$700,000) have been made for accounts receivable from placing and underwriting services. The directors of the Company have individually evaluated the accounts receivable for impairment after taking into account the credit of the individual customers.

Details of impairment assessment at 31 March 2022 and 2021 are set out in note 33.

21. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Deposits	**727**	746
Other receivables	**18**	51
Prepayments	**66**	61
	811	858
Analyses as:		
Current	**292**	858
Non-current	**519**	–
	811	858

Details of impairment assessment at 31 March 2022 and 2021 are set out in note 33.

22. BANK BALANCES AND CASH

Bank balances – general accounts and cash

Bank balances are carrying interest ranging from 0% to 0.25% (2021: 0% to 0.25%) per annum.

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of conducting its regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (note 23) on the grounds that it is liable for any loss or misappropriation of client's monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

23. ACCOUNTS PAYABLE

	2022	2021
	HK$'000	*HK$'000*
Cash clients	**107,910**	98,288
Margin clients	**56,711**	107,076
Broker	**–**	834
HKSCC	**9,925**	–
	174,546	206,198

The normal settlement terms of accounts payable to clients, broker and HKSCC are two days after trade date.

Accounts payable to clients, broker and HKSCC are repayable on demand after settlement date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The accounts payable amounting to HK$152,569,000 (2021: HK$141,537,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Included in accounts payable to cash and margin clients arising from the business of dealing in securities are amounts due to certain related parties. The details are as follows:

	2022	2021
	HK$'000	*HK$'000*
Director of the Company		
Mr. Sy Man Chiu and close members of his family	**35**	17
Controlling shareholders of the Company		
Mr. Keng Stephen Lee and close members of his family	**169**	306
Ms. Yeung Lai Lai and close members of her family	**484**	41
Man Chase Holdings Limited	**12**	12

The above balances are unsecured, non-interest bearing and repayable on demand.

24. OTHER PAYABLES AND ACCRUED CHARGES

	2022 HK$'000	2021 HK$'000
Other payables	**1,667**	1,669
Accrued charges	**1,221**	1,794
	2,888	3,463

25. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Revolving loan, secured	**30,000**	–

The revolving loan is collateralised by the Group's margin clients' marketable securities with fair value of HK$94,400,000 at 31 March 2022 pledged to the Group (with clients' consent) and repayable on demand.

Revolving loan carries interest at 1.7% p.a. over 1-week Hong Kong Inter-bank Offered Rate for the year ended 31 March 2022.

In respect of a bank loan with carrying amount of HK$30,000,000 as at 31 March 2022, the Group is required to comply with the following covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

- Mr. Keng Stephen Lee and Ms. Yeung Lai Lai (collectively, the "Controlling Shareholders") have undertaken to the lender to hold not less than 51% of the issued share capital of the Company in aggregate; and

- The Controlling Shareholders have undertaken to the lender to retain not less than 51% voting right of the Company in aggregate.

The Group has complied with these covenants throughout the reporting period.

26. LEASE LIABILITIES

	2022	2021
	HK$'000	*HK$'000*
Minimum lease payment due:		
Within one year	**1,560**	1,550
More than one year but not exceeding two years	**1,300**	–
	2,860	1,550
Less: Future finance charge	**(133)**	(35)
Present value of lease liabilities	**2,727**	1,515
Present value of lease liabilities:		
Within one year	**1,457**	1,515
More than one year but not exceeding two years	**1,270**	–
	2,727	1,515

The Group leases one property to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

27. SHARE CAPITAL

Details of the share capital of the Company are as follows:

	Number of shares	**Nominal amount**
		HK$'000
Authorised:		
At 31 March 2020, 2021 and 2022	5,000,000,000	50,000
Issued and fully paid:		
At 31 March 2020, 2021 and 2022	1,000,000,000	10,000

28. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2022 HK$'000	2021 HK$'000
Non-current assets		
Unlisted investments in a subsidiary	**2**	2
Amount due from a subsidiary	**90,600**	90,600
	90,602	90,602
Current assets		
Bank balances – general accounts	**70**	92
	70	92
Current liabilities		
Amounts due to subsidiaries	**18,651**	15,903
Accrued charges	**50**	230
	18,701	16,133
Net current liabilities	**(18,631)**	(16,041)
Net assets	**71,971**	74,561
Capital and reserves		
Share capital	**10,000**	10,000
Reserves	**61,971**	64,561
Capital and reserves	**71,971**	74,561

28. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserves movement of the Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2020	104,806	(36,631)	68,175
Loss and total comprehensive expense for the year	–	(3,614)	(3,614)
At 31 March 2021	104,806	(40,245)	64,561
Loss and total comprehensive expense for the year	–	(2,590)	(2,590)
At 31 March 2022	104,806	(42,835)	61,971

29. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group entered in the following transactions with related parties:

	2022	2021
	HK$'000	*HK$'000*
Commission and brokerage income received from the following directors, controlling shareholders and related party of the Company		
– Mr. Sy Man Chiu and close members of his family	**16**	19
– Mr. Keng Stephen Lee and close members of his family	**37**	260
– Ms. Yeung Lai Lai and close members of her family	**848**	640
	901	919
Interest income received from the following directors, controlling shareholders and related party of the Company		
– Mr. Keng Stephen Lee and close members of his family	**2**	23
– Ms. Yeung Lai Lai and close members of her family	**205**	30
	207	53
Handling and other fee income from the following directors, controlling shareholders and related party of the Company		
– Mr. Sy Man Chiu and close members of his family	**5**	2
– Mr. Keng Stephen Lee and close members of his family	**3**	9
– Ms. Yeung Lai Lai and close members of her family	**30**	51
	38	62
Key management personnel remuneration		
– Fees, salaries, commission expenses, discretionary bonus and other benefits	**7,468**	7,278

30. RETIREMENT BENEFIT SCHEME

The Group operates a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a fixed percentage of the relevant payroll costs to the scheme.

The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. The total cost of HK$214,000 (2021: HK$217,000) charged to the consolidated statements of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

During the year ended 31 March 2022 and 2021, there were no forfeited contributions under the defined contribution schemes above. Accordingly, no forfeited contribution was utilised during both years, and there were no forfeited contribution available as at 31 March 2022 and 2021 to reduce level of contributions.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	**Bank borrowings and short-term advances from brokers**	**Interest payable**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	3,252	10,000	–	13,252
Financing cash flows:				
– Repayment of bank borrowings and short-term advances from brokers	–	(10,000)	–	(10,000)
– Interest paid	(123)	–	(1,788)	(1,911)
– Payment for lease	(1,737)	–	–	(1,737)
Interest expense	123	–	1,788	1,911
At 31 March 2021 and 1 April 2021	1,515	–	–	1,515
Financing cash flows:				
– Bank borrowings raised for margin financing	–	30,000	–	30,000
– Interest paid	(60)	–	(846)	(906)
– Payment for lease	(1,751)	–	–	(1,751)
Interest expense	60	–	846	906
Lease modification	2,963	–	–	2,963
At 31 March 2022	2,727	30,000	–	32,727

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 25, and equity attributable to owners of the Group, comprising issued share capital, share premium, other reserve and retained earnings disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Group. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with share capital. The directors of the Company also balance the overall capital structure of the Group through new share issues and the issue of new debt. The Group's overall strategy remains unchanged from prior years.

A group entity, Sinomax Securities Limited, is licensed to carry out regulated activities in Hong Kong and is regulated by the Hong Kong Securities and Futures Commission (the "SFC"). It is required to comply with the minimum capital requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). Management monitors, on a daily basis, the group entity's liquid capital to ensure it meets the minimum liquid capital requirement in accordance with the SF(FR)R. The group entity has been in compliance with the capital requirement imposed by the SF(FR)R during the year.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022	2021
	HK$'000	*HK$'000*
Financial assets		
Amortised cost	**544,500**	530,515
Financial liabilities		
Amortised cost	**206,213**	207,867

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, deposits and other receivables, bank balances, accounts payable, other payables and bank borrowings.

Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

(i) Interest rate risk

The Group is exposed to fixed rate risk for lease liabilities.

The Group is also exposed to cash flow interest rate risk in relation to accounts receivable from cash and margin clients, bank borrowings and bank balances. The Group currently does not have an interest rate hedging policy. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from the Group's variable interest rate instruments.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for accounts receivable from cash and margin clients, bank borrowings and bank balances at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 March 2022, if the interest rate had been 50 basis points (2021: 10 basis points) higher/lower and all other variables were held constant, the Group's profit after taxation would increase by HK$1,998,000 (2021: HK$296,000) or decrease by HK$1,075,000 (2021: HK$218,000). Assets with interest below 50 basis points (2021: 10 basis points) are excluded from 50 basis points (2021: 10 basis points) downward movement.

A 50 basis points (2021: 10 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(ii) Currency risk

The currency risk exposure is not significant as most of the transactions and financial assets and liabilities of the Group are denominated in Hong Kong dollars, the functional currency of the entities comprising the Group. Accordingly, no sensitivity analysis has been presented on the currency risk.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on accounts receivable, the management of the Group compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the management of the Group review the recoverable amount of accounts receivable and the receivables from margin clients are secured by client's pledged securities which are equity and debt securities listed in Hong Kong and overseas.

Margin calls are made when the trades of margin clients exceed their credit limits or a shortfall existed after taking into the account the securities collateral. Any such excess is required to be made good within the next trading day. 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 credit risk on bank balances is limited because the counterparties are with high credit-ratings assigned by international credit-rating agencies.

The credit risk for accounts receivable from clearing house and brokers is considered as not high taking into account the good market reputations and high credit ratings of the counterparties.

Definition of Stage 1, Stage 2 and Stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount from the beginning of the subsequent reporting period.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Internal credit rating	Description	Accounts receivable arising from placing and underwriting services	Accounts receivable arising from the business of dealing in securities	Other financial assets
Normal	The counterparty has a low risk of default and does not have any past-due amounts or have past-due amounts less than 30 days (accounts receivable arising from the business of dealing in securities: have past-due amounts less than 10 days)	Lifetime ECL – not credit-impaired	12-month ECL	12-month ECL
Special mention	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payments have been overdue for more than 30 days (accounts receivable arising from the business of dealing in securities: have past-due amounts for over 10 days)	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Sub-standard	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (accounts receivable arising from the business of dealing in securities: have past-due amounts for over 30 days)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Loss	There is evidence indicating that the debtor is in significant financial difficulty and the Group has little realistic prospect of recovery	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

The identification of internal credit rating for all financial assets is regularly reviewed by management of the Group to ensure relevant information about specific financial assets is updated.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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

	NOTES	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**2022 Gross carrying amount *HK$'000***	2021 Gross carrying amount *HK$'000*
Financial assets at amortised cost						
Bank balances *(note 22)*	*1*	Baa or higher	Normal	12-month ECL	**256,294**	233,948
Deposits and other receivables *(note 21)*	*2*	N/A	Normal	12-month ECL	**745**	797
Accounts receivable arising from placing and underwriting services *(note 20)*	*3*	N/A	Normal	Lifetime ECL (not credit impaired)	**–**	43
			Special mention	Lifetime ECL (not credit impaired)	**300**	200
			Sub-standard	Lifetime ECL (not credit impaired)	**385**	–
			Sub-standard	Lifetime ECL (credit impaired)	**1,230**	1,685
					1,915	1,928
Accounts receivable arising from the business of dealing in securities *(note 20)*	*4*	N/A	Normal	12-month ECL	**285,379**	292,662
			Sub-standard	Lifetime ECL (credit impaired)	**2,984**	3,517
					288,363	296,179

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

1. These institutional banks have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL. The ECL is assessed by reference to the PD and LGD for the relevant credit rating grades published by international credit rating agencies and taking into consideration the forward-looking information through the use of multiple probability weighted scenarios.

2. The ECL is assessed by reference to the PD and LGD of credit ratings published by international credit rating agencies over the expected life and taking into consideration the forward-looking information through the use of multiple probability weighted scenarios.

3. For accounts receivable arising from placing and underwriting services, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the lifetime ECL on these items individually based on the Group's historical default rates or by reference to the PD and LGD of credit ratings published by international credit rating agencies over the expected life and taking into consideration the forward-looking information through the use of multiple probability weighted scenarios.

4. In respect of accounts receivable arising from the business of dealing in securities, the Group considers that there is significant increase in credit risk since initial recognition when the balance is more than 10 days past due. The PD and LGD over the expected life of the accounts receivable are estimated on an individual basis based on the Group's historical default rates or by reference to the PD and LGD of credit ratings published by international credit rating agencies over the expected life, taking into consideration the forward-looking information through the use of multiple probability weighted scenarios. The management of the Group performs individual assessment for reviewing the value of collaterals received from clients in determining the LGD. LGD of 0% is used when the fair value of collaterals from clients is larger than the accounts receivable arising from the business of dealing in securities. There was no change in estimation techniques on methodology made during the year.

   For credit-impaired accounts receivable arising from the business of dealing in securities, the management of the Group performs individual assessment for each client by considering various factors, including the fair value of collaterals from clients which are held by the Group and subsequent settlement.

The ECL impairment allowance determined for all the financial assets carried at amortised cost mentioned above, except for accounts receivable arising from placing and underwriting services and accounts receivable arising from the business of dealing in securities, is insignificant as the expected credit loss rates are approximately close to zero.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the reconciliation of loss allowance that has been recognised for accounts receivable arising from the business of dealing in securities:

Accounts receivable arising from the business of dealing in securities – loss allowance

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2020	–	–	–	–
– Impairment loss recognised during the year ended 31 March 2021	–	–	1,637	1,637
As at 31 March 2021 and 2022 *(note)*	–	–	1,637	1,637

Note:

As at 31 March 2022, impairment allowance of HK$1,637,000 (2021: HK$1,637,000) made under lifetime ECL was in relation to accounts receivables arising from the business of dealing in securities with gross carrying amount of HK$2,984,000 (2021: HK$3,517,000).

In determining the allowances of credit-impaired accounts receivable arising from the business of dealing in securities, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral, any other types of credit enhancement and any subsequent settlement of outstanding balance of loan to margin clients individually. In the opinion of the directors of the Company, the impairment provisions for both years are appropriate.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the reconciliation of loss allowance that has been recognised for accounts receivable arising from placing and underwriting services:

Accounts receivable arising from placing and underwriting services – loss allowance

	Lifetime ECL (non credit-Impaired) HK$'000	Lifetime ECL (credit-Impaired) HK$'000	Total HK$'000
As at 1 April 2020	18	743	761
– Impairment loss reversed *(note a)*	(18)	(43)	(61)
As at 31 March 2021 and 1 April 2021	–	700	700
– Impairment loss recognised *(note b)*	–	480	480
As at 31 March 2022	–	1,180	1,180

Notes:

(a) During the year ended 31 March 2021, impairment allowance of HK$61,000 was reversed due to the Group having recovered accounts receivable arising from placing and underwriting services with gross carrying amount of HK$898,000.

(b) During the year ended 31 March 2022, impairment allowance of HK$480,000 made under lifetime ECL was in relation to new accounts receivable arising from placing and underwriting services with gross carrying amount of HK$530,000.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The following table shows the reconciliation of loss allowance that has been recognised for other receivable:

Other receivable – loss allowance

	12m ECL *HK$'000*	Total *HK$'000*
As at 1 April 2020	60	60
– Impairment loss reversed during the year ended 31 March 2021 *(note a)*	(60)	(60)
As at 31 March 2021 and 2022	–	–

Note:

(a) During the year ended 31 March 2021, impairment allowance of HK$60,000 was reversed due to the Group having recovered other receivable with gross carrying amount of HK$9,990,000.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows.

Liquidity table

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 month to 3 months	Between 3 months to 1 year	Over 1 to 5 years	Total contracted undiscounted cashflows	Carrying amount at reporting date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2022								
Accounts payables	**N/A**	**164,621**	**9,925**	**–**	**–**	**–**	**174,546**	**174,546**
Other payables	**N/A**	**1,667**	**–**	**–**	**–**	**–**	**1,667**	**1,667**
Bank borrowings	**1.867**	**30,000**	**–**	**–**	**–**	**–**	**30,000**	**30,000**
Lease liabilities	**5.000**	**–**	**130**	**260**	**1,170**	**1,300**	**2,860**	**2,727**
		196,288	**10,055**	**260**	**1,170**	**1,300**	**209,073**	**208,940**
At 31 March 2021								
Accounts payables	N/A	205,364	834	–	–	–	206,198	206,198
Other payables	N/A	1,669	–	–	–	–	1,669	1,669
Lease liabilities	5.000	–	155	310	1,085	–	1,550	1,515
		207,033	989	310	1,085	–	209,417	209,382

As at 31 March 2022, the Group has available unutilised bank facilities of HK$145,000,000 (2021: HK$70,000,000).

33. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Fair value of Group's financial assets and liabilities that are measured at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair value of financial assets and financial liabilities are determined in accordance with discounted cash flow analysis.

Financial assets and financial liabilities offsetting

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

- offset in the consolidated statements of financial position; or
- no offset in the consolidated statements of financial position as the offsetting criteria are not met.

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

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with its cash and margin clients in the Group's brokerage business ("brokerage clients") and broker that are due to be settled on the same date with reference to the settlement method set by HKSCC and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, broker and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group and deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statements of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

As at 31 March 2022

	Gross amounts of recognised financial assets after impairment *HK$'000*	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position *HK$'000*	Net amounts of financial assets presented in the consolidated statement of financial position *HK$'000*	Related amounts not offset in the consolidated statement of financial position: Financial instruments *HK$'000*	Related amounts not offset in the consolidated statement of financial position: Collateral received *HK$'000* *(note i)*	Net amount *HK$'000*
Amounts receivable arising from the business of dealing in securities						
HKSCC	21,272	(20,545)	727	–	–	727
Cash clients	320	(116)	204	(154)	(50)	–
Margin clients	293,960	(8,165)	285,795	(15,253)	(270,542)	–
	315,552	(28,826)	286,726	(15,407)	(270,592)	727

	Gross amounts of recognised financial liabilities *HK$'000*	Gross amounts of recognised financial assets set off in the consolidated statement of financial position *HK$'000*	Net amounts of financial liabilities presented in the consolidated statement of financial position *HK$'000*	Related amounts not offset in the consolidated statement of financial position: Financial instruments *HK$'000*	Related amounts not offset in the consolidated statement of financial position: Collateral pledged *HK$'000* *(note i)*	Net amount *HK$'000*
Amounts payable arising from the business of dealing in securities						
HKSCC	30,470	(20,545)	9,925	–	–	9,925
Cash clients	108,026	(116)	107,910	(154)	–	107,756
Margin clients	64,876	(8,165)	56,711	(15,253)	–	41,458
	203,372	(28,826)	174,546	(15,407)	–	159,139

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

As at 31 March 2021

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000*
Amounts receivable arising from the business of dealing in securities						
HKSCC	100,918	(66,059)	34,859	–	–	34,859
Cash clients	2,509	(2,208)	301	(106)	(195)	–
Margin clients	292,990	(33,608)	259,382	(44,145)	(215,237)	–
Broker	206	(206)	–	–	–	–
	396,623	(102,081)	294,542	(44,251)	(215,432)	34,859

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000*
Amounts payable arising from the business of dealing in securities						
HKSCC	66,059	(66,059)	–	–	–	–
Cash clients	100,496	(2,208)	98,288	(106)	–	98,182
Margin clients	140,684	(33,608)	107,076	(44,145)	–	62,931
Broker	1,040	(206)	834	–	–	834
	308,279	(102,081)	206,198	(44,251)	–	161,947

Note:

(i) The cash and financial collateral received/pledged represent their fair values as at 31 March 2022 and 2021.

34. LIST OF SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place of incorporation/ business	Class of shares held	Issued and fully paid-up share capital		Effective interest held as at		Principal activities
			2022	2021	**2022**	2021	
Directly held by the Company							
Century Elite Global Limited	British Virgin Islands	Ordinary	**US$100**	US$100	**100%**	100%	Inactive
Smart Domain Group Limited	British Virgin Islands	Ordinary	**US$100**	US$100	**100%**	100%	Investment holding
Indirectly held by the Company							
Sinomax Securities Limited	Hong Kong	Ordinary	**HK$170,600,000**	HK$170,600,000	**100%**	100%	Securities dealing and brokerage services, placing and underwriting services, securities margin financing services and asset management services

Financial Summary

RESULTS

	Year ended 31 March				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	56,722	65,275	61,503	39,188	**38,031**
Profit before taxation	39,883	45,590	20,415	13,024	**15,461**
Taxation	(6,854)	(7,809)	(6,812)	(2,336)	**(2,653)**
Profit and total comprehensive income for the year	33,029	37,781	13,603	10,688	**12,808**

ASSETS AND LIABILITIES

	At 31 March				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	345,228	378,753	497,745	538,330	**550,515**
Total liabilities	194,965	190,709	181,279	211,176	**210,553**
Net assets	150,263	188,044	316,466	327,154	**339,962**