



**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

**A N N U A L**  
**R E P O R T**

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# 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  
Dr. Ho Chung Tai, Raymond

## AUDIT COMMITTEE

Mr. Lai Man Sing (*Chairman*)  
Dr. Yu Sun Say  
Dr. Ho Chung Tai, Raymond

## 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

Room 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

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## PRINCIPAL BANKERS

China Bohai Bank Co., Ltd., Hong Kong Branch  
Chong Hing Bank Limited  
Dah Sing Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## COMPLIANCE ADVISER

Vinco Capital Limited  
Unit 2610, 26th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

## WEBSITE

[www.hkfsfinance.com](http://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 2021 (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 remain its prudent approach in evaluating its existing business portfolios and opportunities amid a downward economy. Albeit for current market conditions, 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. 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 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 and business partners for their continued trust and support throughout the years.

**Keng Stephen Lee**

*Chairman*

30 June 2021

# Management Discussion and Analysis

## INDUSTRY REVIEW

Hong Kong's economy shrank by 6.1% on a year-on-year basis in 2020. Due to the outbreak of coronavirus (the "Outbreak") and the change in the macroeconomic environment, investors' attitude towards the stock market has become more prudent. Nevertheless, regardless of the Outbreak and a weakened macroeconomic environment, Hong Kong's capital market demonstrated its resilience with reference to the IPO activities of sizeable listings. Following the success of Alibaba, many US-listed Chinese companies went for their early-planned secondary or dual listings in Hong Kong during 2020, despite the uncertainties brought by the Outbreak. Hong Kong's capital market has been diversified and maintained to be an ideal IPO destination owing to its sound reputation over the years and the recently introduced Stock Connect of Hong Kong with Shanghai and Shenzhen.

Despite the market volatility which was also reflected in the fluctuated Hang Seng Index (HSI), investors did not lose hope on Hong Kong's capital investment opportunities and generally believe in a gradual recovery of the stock market. According to the monthly market highlights provided by the Stock Exchange, active trading activities in the capital market are reflected in the growing turnover for the securities market for the Review Year, with an increase of approximately 67% as compared to last year. Although the business environment may still seem gloomy, investors have managed to navigate under extreme uncertainties, exhibiting relatively lower volatility than anticipated. The financial services industry's performance during the second half of 2020 amid the pandemic was relatively stable in Hong Kong.

## 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.

## Management Discussion and Analysis (Continued)

The shares of the Company (the “Shares”) were listed on the Main Board of the Stock Exchange on 19 February 2020. The Listing involved the share offer (the “Share Offer”) of 250,000,000 offer shares of HK\$0.01 each at an offer price of HK\$0.50 per share to the public and successfully raised a total of net cash proceeds of approximately HK\$90.6 million (after deduction of related expenses). The capital raised through the Listing has fuelled the Group’s momentum in future business development and growth, in regards to resources allocation of the Group and its establishment of a reliable image and publicity in the market. The proceeds received from the Share Offer have strengthened the Group’s cash flow and the Group will implement its future plans as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 31 January 2020 (the “Prospectus”).

During the Review Year, the Group recorded 36.3% decrease of total revenue as compared to the year ended 31 March 2020 (“Last Year”), which was approximately HK\$39.2 million. The decrease was mainly attributable to (i) the decrease in placing and underwriting services income, which in turn was due to the prudent approach adopted by the management of the Company in taking up new placing and underwriting projects in light of the uncertain economic outlook and volatility in the stock market; and (ii) the decrease in commission and brokerage income on securities dealing due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover during the Review Year. Meanwhile, the net profit attributable to owners of the Company decreased to approximately HK\$10.7 million during the Review Year, which was mainly due to (i) decrease in placing and underwriting services income; (ii) decrease in commission and brokerage income on securities dealing; (iii) increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model; and (iv) increase in operating expenses and staff costs as 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 23.0% to approximately HK\$17.4 million as compared with that of Last Year (2020: approximately HK\$22.6 million) and accounted for 44.3% (2020: 36.7%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decreased commission income received due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover from them during the Review Year. The segment profit from brokerage services decreased by 33.6% to approximately HK\$13.3 million as compared with that of Last Year (2020: approximately HK\$20.1 million) as less commission income from brokerage services 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 14.5% to approximately HK\$19.7 million as compared with that of Last Year (2020: approximately HK\$17.2 million) and accounted for 50.3% (2020: 28.0%) of the total revenue. The encouraging growth in interest income from margin financing was mainly due to an increase in interest income derived from financing of IPO subscriptions during the Review Year. The proceeds received from the Share Offer and utilising the bank facilities during the Review Year further enhanced our capacity to extend the credit to our clients. The segment profit from margin financing services increased by 2.3% to approximately HK\$16.3 million as compared with that of Last Year (2020: approximately HK\$15.9 million). The segment profit increased at a lower rate than the segment revenue due to an allowance for impairment loss 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 view of unfavorable economic situation and volatile stock market.

## Management Discussion and Analysis (Continued)

### 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 decreased by 90.3% to approximately HK\$2.1 million as compared with that of Last Year (2020: approximately HK\$21.7 million) and accounted for 5.4% (2020: 35.3%) 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 placing and underwriting engagements. The segment profit from placing and underwriting services decreased by 98.6% to approximately HK\$0.3 million as compared with that of Last Year (2020: approximately HK\$18.5 million). The segment profit decreased at a higher rate than the segment revenue as more staff costs incurred during the Review Year.

### Asset Management Services

During the Review Year, the Group launched the asset management services business to a client as a separate business segment. During the Review Year, the revenue of asset management services was approximately HK\$8,000 (2020: Nil) and the segment loss was approximately HK\$142,000 (2020: Nil).

## FINANCIAL REVIEW

### Revenue

During the Review Year, the Group recorded a revenue of approximately HK\$39.2 million (2020: approximately HK\$61.5 million), representing a decrease of 36.3% compared with that of Last Year. The overall decrease was due to (i) decrease in placing and underwriting services income, which in turn was due to the prudent approach adopted by the management of the Company in taking up new placing and underwriting projects in light of the uncertain economic outlook and volatility in the stock market and (ii) decrease in commission and brokerage income on securities dealing due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover during the Review Year.

### Other operating expenses

For the Review Year, the other operating expenses increased 31.0% to approximately HK\$9.7 million as compared with Last Year (2020: approximately HK\$7.4 million). The increase was primarily due to increase in professional fee, additional interim review fee to the auditor and compliance advisory fee upon the Listing.

## Management Discussion and Analysis (Continued)

### Profit for the year

For the Review Year, the Group's net profit was approximately HK\$10.7 million, which was a decrease of 21.4% compared with approximately HK\$13.6 million from Last Year. By excluding the non-recurring listing expenses incurred during the year ended 31 March 2020, the Group recorded a decrease in adjusted net profit during the Review Year of 68.5% compared to approximately HK\$34.0 million from Last Year. Such change was mainly due to (i) decrease in placing and underwriting services income, which in turn was due to the prudent approach adopted by the management of the Company in taking up new placing and underwriting projects in light of the uncertain economic outlook and volatility in the stock market; (ii) decrease in commission and brokerage income on securities dealing due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover during the Review Year; (iii) increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model; and (iv) increase in operating expenses and staff costs as compared with Last Year.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong cash position with total bank deposits, and financed its operations by cash mainly generated from operations and borrowings. As at 31 March 2021, the Group had total bank balances for general accounts and cash of approximately HK\$92.4 million (2020: approximately HK\$149.5 million). As at 31 March 2021, the Group had net current assets of approximately HK\$322.1 million, representing an increase of approximately HK\$11.6 million as compared with that of approximately HK\$310.5 million as at 31 March 2020. The increase was mainly due to profits retained to support our expansion for margin financing services.

The Group's gearing ratio was nil as at 31 March 2021 (2020: 0.03).

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

The Group utilised bank facilities of HK\$10 million to fulfil the demand in margin loans from our clients as at 31 March 2020. All bank borrowings were repaid in view of strong cash position of the Group as at 31 March 2021.

### Borrowings

As at 31 March 2021, the Group had nil bank borrowings (2020: HK\$10.0 million).

## Management Discussion and Analysis (Continued)

### Pledge of Assets

As at 31 March 2021, the Group did not have any pledged assets (2020: 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 and details of the financial risk management of the Group are set out in note 34 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 2021, the Group did not have any significant capital commitment and contingent liabilities (2020: Nil).

### Employees and Remuneration Policies

As at 31 March 2021, the Group employed 17 staff (2020: 16). 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\$10.2 million during the Review Year (2020: HK\$7.1 million), representing an increase of approximately HK\$3.1 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 2021, the Group did not make any significant investments (2020: 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.

## Management Discussion and Analysis (Continued)

### 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.

<b>Business strategies</b>	<b>Net proceeds as allocated in accordance with the Prospectus <i>HK\$'000</i></b>	<b>Actual use of net proceeds up to 31 March 2021 <i>HK\$'000</i></b>	<b>Unutilised use of net proceeds up to 31 March 2021 <i>HK\$'000</i></b>	<b>Expected timeline of full utilisation of the balance</b>
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 2022
Expansion of workforce	12,900	475	12,425	End of 2022
Enhancement of IT systems	9,000	–	9,000	End of 2022
Promotion and marketing	7,200	–	7,200	End of 2022
Working capital	8,600	6,369	2,231	September 2021
<b>Total</b>	<b>90,600</b>	<b>44,044</b>	<b>46,556</b>	

As at 31 March 2021, 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.

## Management Discussion and Analysis (Continued)

### **DIVIDENDS**

The Board does not recommend the declaration of final dividend for the Review Year (2020: Nil).

### **OUTLOOK AND PROSPECTS**

Given the swift pace of controlling the Outbreak, Hong Kong remains as one of the world's strongest financial markets. The launch of the Hang Seng Tech Index in July 2020, a new technology stock benchmark which tracks some of the largest listed technology companies in Hong Kong, could bring new exposures to the market, providing a greater product coverage in the technology sector. This introduction is also likely to attract more technology firms to choose Hong Kong as their listing and fundraising venue in the future.

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.

# Biographies of Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

**Mr. Keng Stephen Lee (李青松)** (formerly known as Li Ching Chung), aged 57, 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 the board of Anchor Land Holdings, Inc. ("Anchor Land"). Anchor Land 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 65, 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 35, 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.

## Biographies of Directors and Senior Management (Continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Yu Sun Say (楊孫西), GBM, GBS, SBS, JP**, aged 82, 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 53, 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.

**Dr. Ho Chung Tai Raymond (何鍾泰), SBS, JP**, aged 82, 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. Ho holds a doctorate degree of philosophy in civil engineering from the City University of London, United Kingdom; Honorary Doctor of Business Administration Degree from the City University of Hong Kong; Doctor of Laws Degree from the University of Manchester, United Kingdom; and a bachelor degree in engineering from the University of Hong Kong. He was also awarded Honorary University Fellow of the University of Hong Kong.

Dr. Ho was formerly a director of Maunsell Consultants Asia Limited from January 1986 to August 1993, with experience in the fields of civil, structural, energy, environmental and geotechnical engineering and in direct project management of many large-sized engineering projects. Dr. Ho is Honorary Chairman and former Chairman of Guangdong Daya Bay Nuclear Power Station and Ling Ao Nuclear Power Station Nuclear Safety Consultative Committee and a professional advisor to The Ombudsman of Hong Kong.

Dr. Ho currently is also an independent non-executive director of each of AP Rentals Holdings Limited (stock code: 1496), Chinlink International Holdings Limited (stock code: 997), GCL-Poly Energy Holdings Limited (stock code: 3800), Deson Development International Holdings Limited (stock code: 262) and Superland Group Holdings Limited (stock code: 368) all being companies listed on the Main Board of the Stock Exchange.

## Biographies of Directors and Senior Management (Continued)

### SENIOR MANAGEMENT

**Mr. Wu Man Sun (胡民新)**, aged 36, 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 43, 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 35 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 39 to 51 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 57 to 123 of this annual report.

The Directors do not recommend the payment of any dividend for the Review Year (2020: 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 124 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 28 to the consolidated financial statements.

## Report of the Directors (Continued)

### **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in Note 35 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 39 to 51 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 39 to 51 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 18 to the consolidated financial statements. There were no investment properties of the Group during the Review Year.

## Report of the Directors (Continued)

### **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 59 of this annual report.

Details of the movements in the reserves of the Company during the Review Year are set out in Note 29 to the consolidated financial statements.

### **BANK BORROWINGS**

Particulars of bank borrowings of the Group as at 31 March 2021 are set out in note 26 to the consolidated financial statements.

### **MAJOR CUSTOMERS**

As at 31 March 2021, sales to the Group's five largest customers accounted for 27.8% (2020: 29.5%) of the total sales for the year and sales to the largest customer included therein amounted to 7.3% (2020: 8.1%). 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 2021, the Group employed 17 staff (2020: 16). 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 HK\$10.2 million (2020: HK\$7.1 million).

## Report of the Directors (Continued)

### **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 30 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.

## Report of the Directors (Continued)

### **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

Dr. Ho Chung Tai Raymond

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. Ng Sik Chiu and Mr. Lai Man Sing will offer himself 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.

## Report of the Directors (Continued)

### **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.

### **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.

## Report of the Directors (Continued)

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.

## Report of the Directors (Continued)

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

As at 31 March 2021, 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 2021, 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.

## Report of the Directors (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, 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 2021, 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.

### 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.

## Report of the Directors (Continued)

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 which are convertible or exchangeable into Shares as at 31 March 2021.

### **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\$44.0 million of the net proceeds has been utilized as at 31 March 2021 (approximately 48.6% of the total net proceeds) and the remaining HK\$46.6 million (approximately 51.4% 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.

### **INTERESTS OF COMPLIANCE ADVISER**

As at 31 March 2021, save and except for (i) the participation of Vinco Capital Limited ("Vinco") as sole sponsor, joint bookrunner and joint lead manager in relation to the Listing; and (ii) the compliance adviser's agreement entered into between the Company and Vinco dated 22 January 2020, neither Vinco nor any of its directors, employees or close associates had any interest in the securities of the Company.

## Report of the Directors (Continued)

### **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 (2020: HK\$1,000,000).

### **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**

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

**Keng Stephen Lee**

*Chairman*

30 June 2021

# 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 Dr. Ho Chung Tai, Raymond. 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 Listing Date 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.

## Corporate Governance Report (Continued)

### **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.

## Corporate Governance Report (Continued)

### 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 A.6.5 of the Corporate Governance Code on participation in continuous professional training as follows:

	Mode of participation	
	a	b
<b>Non-executive Director</b>		
Mr. Keng Stephen Lee	✓	✓
<b>Executive Directors</b>		
Mr. Sy Man Chiu	✓	✓
Mr. Ng Sik Chiu	✓	✓
<b>Independent Non-executive Directors</b>		
Dr. Yu Sun Say	–	✓
Mr. Lai Man Sing	–	✓
Dr. Ho Chung Tai, Raymond	–	✓

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.

## Corporate Governance Report (Continued)

### BOARD MEETINGS

Code provision A.1.1 of the Corporate Governance 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.

The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code and the chairman shall meet at least annually with the independent non-executive directors without the presence of other directors.

During the Review Year, the Company held 1 general meeting on 25 September 2020.

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

	<b>Attendance/Number of</b>	
	<b>Board meetings entitled to attend</b>	<b>General meetings entitled to attend</b>
<b>Non-executive Director</b>		
Mr. Keng Stephen Lee	5/5	1/1
<b>Executive Directors</b>		
Mr. Sy Man Chiu	5/5	1/1
Mr. Ng Sik Chiu	5/5	1/1
<b>Independent Non-executive Directors</b>		
Dr. Yu Sun Say	5/5	1/1
Mr. Lai Man Sing	5/5	1/1
Dr. Ho Chung Tai, Raymond	5/5	1/1

## Corporate Governance Report (Continued)

### 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 C.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Lai Man Sing, Dr. Yu Sun Say and Dr. Ho Chung Tai, Raymond, 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, three Audit Committee meetings were held. The attendance of each member is set out below:

	<b>Attendance/ Number of Audit Committee meetings entitled to attend</b>
Mr. Lai Man Sing ( <i>Chairman</i> )	3/3
Dr. Yu Sun Say	3/3
Dr. Ho Chung Tai, Raymond	3/3

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 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.

## Corporate Governance Report (Continued)

### 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 B.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, one Remuneration Committee meeting was held. The attendance of each member is set out below:

	<b>Attendance/ Number of Remuneration Committee meetings entitled to attend</b>
Dr. Yu Sun Say ( <i>Chairman</i> )	1/1
Mr. Keng Stephen Lee	1/1
Mr. Lai Man Sing	1/1

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.

## Corporate Governance Report (Continued)

### 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 A.5 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.

During the Review Year, one Nomination Committee meeting was held. The attendance of each member is set out below:

	<b>Attendance/ Number of Nomination Committee meetings entitled to attend</b>
Mr. Keng Stephen Lee ( <i>Chairman</i> )	1/1
Dr. Yu Sun Say	1/1
Mr. Lai Man Sing	1/1

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.

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.
- 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.

## Corporate Governance Report (Continued)

### **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.

## Corporate Governance Report (Continued)

### **BOARD DIVERSITY POLICY** *(Continued)*

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 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 B.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 2021 is set out below:

<b>Annual Remuneration</b>	<b>Number of individuals</b>
HK\$0 to HK\$1,000,000	4
HK\$1,000,001 to HK\$2,000,000	4

## Corporate Governance Report (Continued)

### **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.

## Corporate Governance Report (Continued)

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 an 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.

## Corporate Governance Report (Continued)

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

Deloitte Touche Tohmatsu was engaged as the auditor of the Review Year, provided the following services to the Group.

	<i>HK\$'000</i>
Audit services	1,700
Interim review	500
Non-audit services	56
	<hr/>
Total	<u>2,256</u>

### 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 52 to 56 of this report.

## Corporate Governance Report (Continued)

### **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.

### **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 Room 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 Room 2705-6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

## Corporate Governance Report (Continued)

### 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 Report covered material ESG issues in relation to the principal businesses of the Group, including provision of brokerage services, margin financing services, and placing and underwriting services, for the period from 1 April 2020 to 31 March 2021 (the “Reporting Period”), 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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## Environmental, Social and Governance Report (Continued)

### 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 assessments are conducted to identify material ESG issues via regular communication with various stakeholders.

#### 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 on these KPIs are stated wherever appropriate.

#### Consistency

In order to enhance and maintain comparability of ESG performances between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. The Group will continue to adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between years.

#### Balance

ESG data and content are presented in an objective and unbiased manner.

## Environmental, Social and Governance Report (Continued)

### ESG GOVERNANCE

#### Board Statement

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



The Board of the Directors of the Company (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.

To assist in the implementation of strategies and initiatives set by the board, an ESG working group has been established. Additionally, the ESG working group plays an integral role in ensuring the effectiveness of ESG governance and enhancing centralized 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 reviews and acknowledges the results of the assessment, and has provided their own insights to the Group’s material ESG issues.

## Environmental, Social and Governance Report (Continued)

### 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.

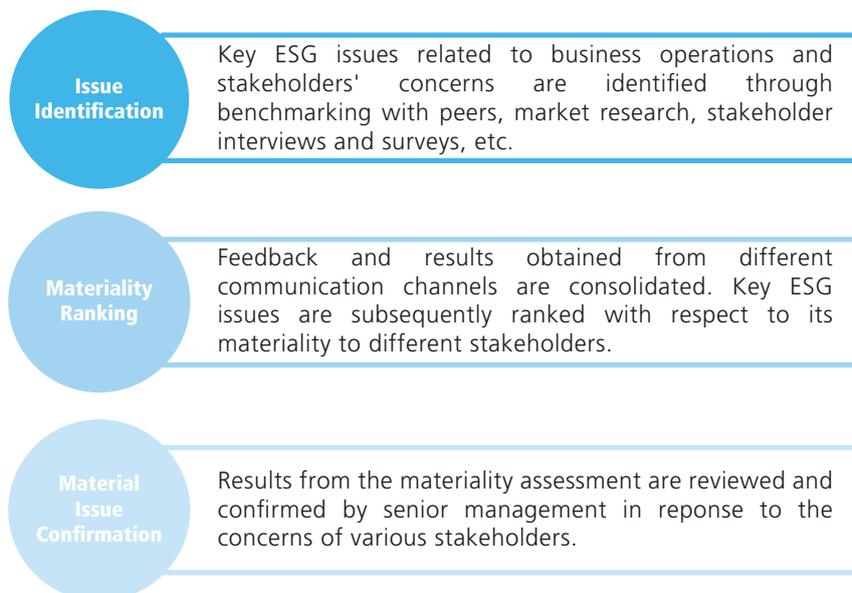
The following table sets out our key stakeholders and the corresponding response and communication channels.

Stakeholders	Expectations and Requirements	Means of Communication and Engagement Channels
Government and Regulators	<ul style="list-style-type: none"> <li>• Contribution to local employment</li> <li>• Tax payment in full and on time</li> </ul>	<ul style="list-style-type: none"> <li>• Regular information reporting</li> <li>• Compliance reports</li> <li>• Examinations and inspections</li> </ul>
Investors and Shareholders	<ul style="list-style-type: none"> <li>• Returns</li> <li>• Compliant operations</li> <li>• Rise in company value</li> <li>• Transparency and effective communication</li> </ul>	<ul style="list-style-type: none"> <li>• General meetings</li> <li>• Announcements</li> <li>• Email, telephone communication and corporate website</li> <li>• Financial reports and other publications</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Performance of contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Business communication</li> </ul>
Clients	<ul style="list-style-type: none"> <li>• Services with quality</li> </ul>	<ul style="list-style-type: none"> <li>• Customer service center and hotline</li> <li>• Corporate website</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>• ESG reporting</li> </ul>
Industry	<ul style="list-style-type: none"> <li>• Establishment of industry standards</li> <li>• Enhancement of industry development</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in industry forums</li> <li>• Participation in consultations</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Protection of rights</li> <li>• Occupational health and safety</li> <li>• Remunerations and benefits</li> <li>• Career development</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with employees</li> <li>• Employee mailbox</li> <li>• Training and seminars</li> </ul>
Community and the Public	<ul style="list-style-type: none"> <li>• Enhancement of community environment</li> <li>• Participation in charity</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• Community events</li> </ul>

## Environmental, Social and Governance Report (Continued)

### MATERIALITY ASSESSMENT

Materiality assessments have 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:



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 Group has also gathered the management's view on ESG-related issues through questionnaires. The information gathered, after being analysed along with materiality maps provided by well-known external institutions<sup>1</sup> and professional opinions from third-party professionals, helped the Group identify and prioritize ESG issues which are concerned by stakeholders and are highly related to the Group's business.

#### Aspects

Labour Practices

#### Material Issues

Employment compliance  
Human capital development  
Labour rights and benefits  
Occupational health and safety

Operating Practices

Operational compliance  
Quality management  
Privacy and data security  
Anti-corruption

<sup>1</sup> The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).

## Environmental, Social and Governance Report (Continued)

### ENVIRONMENTAL PROTECTION

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. The Group strictly conforms to a series of environmental laws and regulations such as the Air Pollution Control Ordinance and Waste Disposal Ordinance of Hong Kong. To operate our office in an environmentally responsible manner, minimise office wastes and emissions production and conserve energy, we have developed an internal environmental policy 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 standard laws and regulations.

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.

### Greenhouse Gas Emissions

Since the Group's business and operations are service-based, production processes are not involved. However, there is still minimal amounts of greenhouse gas ("GHG") emissions from daily office operations.

During the Reporting Period, our Group's GHG emissions were mainly indirect (Scope 2) emissions resulted from consumption of electricity. The Group does not have any direct (Scope 1) emissions.

Types	2021	2020
Total emission (tonnes CO <sub>2</sub> equivalent ("CO <sub>2</sub> e"))	15	18
Direct emission (Scope 1) (tonnes CO <sub>2</sub> e)	–	–
Indirect emission (Scope 2) (tonnes CO <sub>2</sub> e) <sup>1</sup>	15	18
Intensity (tonnes CO <sub>2</sub> e/employee)	0.88	1.15

Note:

1. The GHG emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the emission factor published by the Group's electricity provider.

## Environmental, Social and Governance Report (Continued)

### 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 generation and management of waste. Waste produced by the Group included non-hazardous waste from the Group's day-to-day office operations.

<b>Non-hazardous Waste<sup>1</sup></b>	<b>2021</b>	2020
Weight (kg)	<b>994</b>	1,210
Intensity (kg/employee)	<b>58.48</b>	76.00

Note:

1. Non-hazardous waste data is based on the daily estimated volume of general waste in offices and the volume-to-weight conversion factors provided by the United States Environmental Protection Agency.

The Group regularly monitors the consumption volume of paper, toner cartridges and ink cartridges. The disposal of ink cartridges is performed by the Group's external printing services supplier, while paper wastes are collected and centrally processed by the property management company of the Group's office.

### Resources Consumption

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

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.

<b>Type</b>	<b>2021</b>	2020
Total energy consumption (MWh)	<b>21</b>	23
Direct	–	–
Indirect	<b>21</b>	23
Intensity (MWh/employee)	<b>1.24</b>	1.41

The Group's water consumption is minimal and is considered immaterial. As the property management company is responsible for the provision of water within our office premises, issues in water sourcing are not applicable to the Company.

## Environmental, Social and Governance Report (Continued)

### Emission Reduction and Resource Conservation

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. 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. To ensure that the Group is compliant with the relevant environmental laws and regulations whilst meeting stakeholders' expectations, risk identification and impact assessment of environmental factors are conducted on a regular basis, and risk response measures are designed to avoid and mitigate adverse effects posed to our business and environment.

The Group recognises its potential to impact the environment in its business operations, particularly through office usage. Therefore, we are committed to:

- Contributing to environmental sustainability through formulating and implementing sustainable development initiatives and environmentally-friendly practices;
- Regularly reviewing our business practices to identify measures that enhance energy and resource efficiency, and continuously improve environmental performance; and
- Adopting and developing energy saving initiatives, such as switching off unnecessary lighting during non-office hours.

The Group is energy-conscious and embraces green operational practices such as switching off unnecessary lighting when rooms are not in use, and keeping light fixtures and lamps clean to maximise efficiency. Additionally, the Group encourages employees to go green beyond in-office energy conservation. We also promote green and low-carbon travel, encouraging employees to take public transport in reducing aggregated carbon footprint.

In terms of waste reduction, 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 to raise awareness towards waste reduction. Furthermore, the Group performs internal approval procedures through electronic systems and emails, encourages employees to communicate via electronic means and provide paper-free communication options for customers and shareholders, as a bid to reduce paper waste.

### 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. 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, like endangering the health and safety of employees. Therefore, we have developed comprehensive typhoon arrangements to safeguard the health and safety of our employees under extreme weather conditions. 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. Principally, the Group aims to ensure smooth business operations even during such conditions to mitigate the risks and impacts posed to the Group.

## Environmental, Social and Governance Report (Continued)

### LABOUR PRACTICES

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 stringently abides by relevant labour laws and regulations during recruitment, promotion, remuneration and dismissal of employees, such as the Employment Ordinance of Hong Kong, and looks to provide employees with a fair and healthy working environment.

#### Employment

We recognize 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 maximize 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 people 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 recognized 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.

## Environmental, Social and Governance Report (Continued)

During the Reporting Period, the Group has fully complied with Employment Ordinance of Hong Kong, and is not aware of any material non-compliance cases against employment-related laws and regulations.

Indicators	2021
Total number and percentage (%)	
By gender	
Male	12(71)
Female	5(29)
By age	
< 30	3(18)
30–50	9(53)
> 50	5(29)
By employment type	
Permanent	17(100)
Temporary	–
By geographical location	
Hong Kong	17(100)
Turnover rate (%)	
By gender	
Male	17
Female	–
By age	
< 30	–
30–50	11
> 50	20
By geographical location	
Hong Kong	12

### Occupational Safety and Health

During the reporting period, the Coronavirus Disease 2019 (“COVID-19”) epidemic has caused severe impacts across different sectors. Corporates 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. Subsequently, the Group has reduced in-person contacts between employees and clients by temporarily disabling physical security selling services. By doing so, the Group looks to reduce the risk of employees contracting COVID-19 from external personnel. Meanwhile, the Group has also strengthened its protective measures, including but not limited to distributing face masks and sanitizers for personal protection, and enhancing sterilization of office area to provide employees with a safe working environment.

The Group is committed to providing employees with a safe and healthy workplace, strictly complying with the Occupational Safety and Health Ordinance of Hong Kong to protect employees’ physical and mental well-being. The Occupational Safety and Health Policy was formulated to provide guidelines to the protection of employees’ health and safety. The Group will be 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. Trainings and workshops have been organized to 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.

## Environmental, Social and Governance Report (Continued)

During the past three reporting periods, the Group has recorded no work-related fatalities or work injuries.

### 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 company competitiveness. 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 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.

#### Average Training Hours per Employee (Percentage of Trained Employees) 2021

##### By Gender

Male	5(100)
Female	4(100)

##### By Employee Category

Senior	6(100)
Middle	5(100)
Junior	2(100)

### 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, procedures including identity verification and acknowledgement of employee rights and duties are implemented for assurance. No person under the age of 15 will be employed, while employees will not be forced to perform involuntary work. Additionally, employees are guaranteed freedom of movement in our workplace, protected by relevant laws and regulations as stated in the employee manual.

During the Reporting Period, the Group did not employ any child or forced labour and we were not aware of any material non-compliance cases in relation to labour standard laws and regulations.

## Environmental, Social and Governance Report (Continued)

### 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 optimizing 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. 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 environmental, social and governance 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.

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 Securities and Futures Commission ("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 serve 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 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 by senior management to achieve continuous improvement.

The Group recognizes 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, 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 has not received any complaints regarding its services.

## Environmental, Social and Governance Report (Continued)

### Data Protection and Privacy

The Group recognizes the significance of clients' privacy protection, 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 individuals in relation to personal data. A multi-tiered firewall is deployed as the Group's network security infrastructure to protect critical systems to the Group and client data against cyber-attacks. All personal data are centralized and stored with strict confidentiality by the Group's human resources department, while access to customer data is strictly limited to authorized 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.

### Anti-corruption

The Group emphasizes on employees' integrity and conduct throughout the entire operations, and has zero tolerance against all forms of corruption and bribery issues. We fully comply with the Prevention of Bribery Ordinance of Hong Kong to prevent any occurrence of corruptive behaviour. 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. 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 a 2-hour training session to all staff regarding anti-money laundering and anti-terrorist related information. 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.

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

We were not aware of any non-compliance cases noted in relation to corruption-related laws and regulations during the Reporting Period.

## COMMUNITY INVESTMENT

The Group attaches great importance to community contribution, investment and development. Therefore, we advocate social contributions and proactively reach out to different opportunities to give back to the community. We always encourage employees to engage in voluntary and charitable events, to cultivate social responsibility awareness and provide aid to the community. In the future, we will continue to step up or 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

# Deloitte.

# 德勤

## 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 57 to 123, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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 judgment, was of most significance in our audit of the consolidated financial statements of the current period. The 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 the matter.

## Independent Auditor's Report (Continued)

### 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 5 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 21 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 2021 was HK\$261,019,000 with accumulated impairment loss of HK\$1,637,000.

### How our audit addressed the key audit matter

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 continuous review of the appropriateness of the model, and selection and application of assumptions and key inputs into the model;
- Understanding and testing 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, together with our internal valuation experts, 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 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 and performing sensitivity analysis on the value of pledged collaterals.

## Independent Auditor's Report (Continued)

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

## Independent Auditor's Report (Continued)

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

As part of an audit in accordance with HKSA's, we exercise professional judgment 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.

## Independent Auditor's Report (Continued)

### **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 matters 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 partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 June 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue			
Fee and commission income	6	19,481	44,289
Interest income under effective interest method		19,707	17,214
		<b>39,188</b>	61,503
Other gains and (losses)	8	125	(565)
Other income	9	659	1,082
Staff costs	10	(10,247)	(7,118)
Finance costs	11	(1,911)	(1,365)
Impairment loss, net of reversal	12	(1,516)	(821)
Commission expenses		(1,674)	(2,736)
Listing expenses		–	(20,367)
Depreciation of property and equipment		(1,886)	(1,785)
Other operating expenses		(9,714)	(7,413)
Profit before taxation	13	13,024	20,415
Taxation	14	(2,336)	(6,812)
Profit and total comprehensive income for the year		<b>10,688</b>	13,603
Earnings per share			
Basic (HK cents per share)	16	1.07	1.75
Diluted (HK cents per share)	16	N/A	1.75

# Consolidated Statement of Financial Position

At 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property and equipment	18	1,616	3,439
Intangible asset	19	2,735	2,735
Other assets	20	697	789
Deposits	22	–	512
		<b>5,048</b>	<b>7,475</b>
<b>Current assets</b>			
Accounts receivable	21	295,770	219,290
Deposits, other receivables and prepayments	22	858	10,097
Tax recoverable		2,706	–
Bank balances – trust and segregated accounts	23	141,537	111,352
Bank balances – general accounts and cash	23	92,411	149,531
		<b>533,282</b>	<b>490,270</b>
<b>Non-current liabilities</b>			
Lease liabilities	27	–	1,515
<b>Current liabilities</b>			
Accounts payable	24	206,198	156,420
Other payables and accrued charges	25	3,463	3,714
Bank borrowings	26	–	10,000
Tax payable		–	7,893
Lease liabilities	27	1,515	1,737
		<b>211,176</b>	<b>179,764</b>
<b>Net current assets</b>		<b>322,106</b>	<b>310,506</b>
<b>Net assets</b>		<b>327,154</b>	<b>316,466</b>
<b>Capital and reserves</b>			
Share capital	28	10,000	10,000
Reserves		317,154	306,466
<b>Total capital and reserves</b>		<b>327,154</b>	<b>316,466</b>

The consolidated financial statements on pages 57 to 123 were approved and authorised for issue by the Board of Directors on 30 June 2021 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 2021

	NOTES	Attributable to owners of the Group				Total HK'\$000
		Share capital	Share premium	Retained earnings	Other reserve	
		HK'\$000	HK'\$000	HK'\$000	HK'\$000 (Note)	
At 1 April 2019	28	80,000	–	108,044	–	188,044
Profit and total comprehensive income for the year		–	–	13,603	–	13,603
Issue of shares pursuant to ultimate holding company	28	–*	–	–	–	–*
Transfer upon the Reorganisation (as defined in note 2)	2 & 28	(80,000)	–	–	80,000	–
Issue of shares pursuant to public offering	28	2,500	122,500	–	–	125,000
Issue of shares by capitalisation of share premium account	28	7,500	(7,500)	–	–	–
Expenses incurred in connection with issue of new shares		–	(10,181)	–	–	(10,181)
At 31 March 2020		<b>10,000</b>	<b>104,819</b>	<b>121,647</b>	<b>80,000</b>	<b>316,466</b>
Profit and total comprehensive income for the year		–	–	<b>10,688</b>	–	<b>10,688</b>
At 31 March 2021		<b>10,000</b>	<b>104,819</b>	<b>132,335</b>	<b>80,000</b>	<b>327,154</b>

Note: Other reserve represents the difference between the nominal amount of the shares capital of Sinomax Securities Limited and the nominal amount of the share capital issued by the Company pursuant to the Reorganisation.

\* Less than HK\$1,000

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		<b>13,024</b>	20,415
Adjustments for:			
Interest expense	11	<b>1,911</b>	1,365
Depreciation of property and equipment	18	<b>1,886</b>	1,785
Impairment loss recognised (reversed) in respect of			
– accounts receivable arising from the business of dealing in securities	12	<b>1,637</b>	–
– accounts receivable arising from placing and underwriting services	12	<b>(61)</b>	761
– other receivables	12	<b>(60)</b>	60
Bank interest income	9	<b>(566)</b>	(639)
		<hr/>	<hr/>
Operating cash flows before movements in working capital		<b>17,771</b>	23,747
Increase in accounts receivable		<b>(78,056)</b>	(15,364)
Decrease (increase) in other assets		<b>92</b>	(589)
Decrease (increase) in deposits, other receivables and prepayments		<b>9,811</b>	(9,270)
(Increase) decrease in bank balances – trust and segregated accounts		<b>(30,185)</b>	26,256
Increase in accounts payable		<b>49,778</b>	2,247
Decrease in other payables and accrued charges		<b>(251)</b>	(296)
		<hr/>	<hr/>
Cash (used in) generated from operations		<b>(31,040)</b>	26,731
Bank interest received		<b>566</b>	639
Profits tax paid		<b>(12,935)</b>	–
		<hr/>	<hr/>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>		<b>(43,409)</b>	27,370
<b>INVESTING ACTIVITY</b>			
Purchase of property and equipment		<b>(63)</b>	(57)
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITY</b>		<b>(63)</b>	(57)
		<hr/>	<hr/>

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		–	125,000
Repayments of lease liabilities	32	(1,737)	(1,726)
Repayment of bank borrowings and short-term advances from brokers	32	(10,000)	(20,000)
Interest paid on bank borrowings and short-term advances from brokers	32	(1,788)	(1,302)
Interest paid on lease liabilities	32	(123)	(63)
Issue costs paid		–	(9,918)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<b>(13,648)</b>	91,991
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<b>(57,120)</b>	119,304
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<b>149,531</b>	30,227
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<b>92,411</b>	149,531
Represented by:			
Bank balances – general accounts and cash	23	<b>92,411</b>	149,531
Net cash generated by operating activities include:			
Interest received from securities dealings and margin financing services		<b>19,707</b>	17,214

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 P.O. Box 2681, Cricket Square, Hutchins Drive, 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. GROUP RESTRUCTURING AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Prior to the group reorganisation (the “Reorganisation”), the Group’s major operating subsidiary, Sinomax Securities Limited was directly owned by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai. In preparation for the listing of the Company’s shares on the Stock Exchange, the Group underwent the following reorganisation steps which mainly involves interspersing investing holding companies between Sinomax Securities Limited and its shareholders:

- (1) On 15 December 2015, Man Chase was incorporated in the BVI with limited liability. At the time of its incorporation, Man Chase was authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1.00 each, of which 60 fully paid shares had been allotted and issued to Mr. Keng Stephen Lee and 40 fully paid shares had been allotted and issued to Ms. Yeung Lai Lai.
- (2) On 1 February 2016, Smart Domain Group Limited was incorporated in the BVI with limited liability. At the time of its incorporation, Smart Domain Group Limited was authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1.00 each, of which 1 fully paid share had been allotted and issued to an initial subscriber. On 10 June 2016, such ordinary share was transferred to the Company and a further 99 fully paid shares had been allotted and issued to the Company.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 2. GROUP RESTRUCTURING AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- (3) On 7 June 2016, the Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one HK\$nil paid share was allotted and issued to the initial subscriber, which was transferred to Man Chase on the same date at HK\$nil paid. On 7 June 2016, 99 HK\$nil paid shares were further allotted and issued by the Company to Man Chase.
- (4) On 22 January 2020, Mr. Keng Stephen Lee and Ms. Yeung Lai Lai transferred the entire issued share capital of Sinomax Securities Limited to Smart Domain Group Limited for the consideration of HK\$228,797,000, which was satisfied by (i) the Company allotting and issuing 9,900 new Shares, all credited as fully paid, to Man Chase at the directions of Mr. Keng Stephen Lee and Ms. Yeung Lai Lai; and (ii) the crediting of 100 nil-paid Shares, which were registered in the name of Man Chase, as fully paid. The above transaction was completed on 22 January 2020.

Upon completion of the above steps, the Company was owned by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai through Man Chase and the Company became the holding company of the companies now comprising the Group on 22 January 2020. The Group comprising the Company and its subsidiaries resulting from the Reorganisation have always been and continued to be controlled by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai before and after the Reorganisation, and is therefore regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 March 2020 include the companies comprising the Group as if the group structure upon completion of the Reorganisation had been in existence throughout the year ended 31 March 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

#### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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 combination.

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Revenue from contracts with customers (Continued)*

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

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

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

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

##### *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.

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Financial instruments (Continued)*

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 assets 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.

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

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.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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”) 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 when 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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;
- 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

(i) Significant increase in credit risk (Continued)

Despite the foregoing, 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. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a 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).

In respect 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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 (i.e. the magnitude of the loss if there is a default) 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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 statements 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.

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

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

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets, intangible assets with finite useful lives 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 amount of property and equipment, 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.

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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.2 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Property and equipment*

Property and equipment are stated in the consolidated statements 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.

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Lease (Continued)*

##### *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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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", the same line item within which the corresponding underlying assets would be presented if they were owned.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *Lease (Continued)*

##### *As a lessee (Continued)*

##### Refundable rental deposits

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

##### Lease liabilities

At the commencement date of 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 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.

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### *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.

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 5. **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 34. 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 34.

#### ***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 2021, the carrying amount of intangible asset is HK\$2,735,000 (2020: HK\$2,735,000) after taking into account the impairment losses of HK\$nil (2020: HK\$nil). Details of the impairment on intangible asset are disclosed in note 19.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 6. FEE AND COMMISSION INCOME

	2021 HK\$'000	2020 HK\$'000
Commission and brokerage income on securities dealing	16,183	21,553
Placing and underwriting services income	2,103	21,736
Handling and other fee income	1,187	1,000
Asset management fee income	8	–
	<u>19,481</u>	<u>44,289</u>

#### Disaggregation of fee and commission income from contracts with customers

	2021 HK\$'000	2020 HK\$'000
<b>Timing of revenue recognition</b>		
A point in time	19,226	44,032
Over time	255	257
	<u>19,481</u>	<u>44,289</u>

#### 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.

##### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 6. FEE AND COMMISSION INCOME *(Continued)*

#### Performance obligations for contracts with customers *(Continued)*

##### *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 transaction 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 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.

### 7. 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 4. Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other gains and losses, certain staff costs, certain impairment loss, certain finance costs, depreciation, listing expenses and certain other operating expenses. No inter-segment revenues are charged among segments.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 7. 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
<b>Segment profit/(loss)</b>	<b>13,320</b>	<b>16,282</b>	<b>256</b>	<b>(142)</b>	<b>29,716</b>
Other gains					125
Other income					659
Certain staff costs					(7,045)
Certain impairment loss reversed					60
Certain finance costs					(123)
Depreciation					(1,886)
Certain other operating expenses					(8,482)
Profit before taxation					<u>13,024</u>
<b>Other segment information:</b>					
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)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 7. SEGMENT INFORMATION (Continued)

Year ended 31 March 2020

	Brokerage services <i>HK\$'000</i>	Margin financing services <i>HK\$'000</i>	Placing and underwriting services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	22,553	17,214	21,736	61,503
<b>Segment profit</b>	<b>20,069</b>	<b>15,912</b>	<b>18,491</b>	<b>54,472</b>
Other losses				(565)
Other income				1,082
Certain staff costs				(5,896)
Certain impairment loss				(60)
Certain finance costs				(63)
Depreciation				(1,785)
Listing expenses				(20,367)
Certain other operating expenses				(6,403)
Profit before taxation				<u>20,415</u>
<b>Other segment information:</b>				
Interest income from clients	–	17,214	–	17,214
Interest on bank borrowings	–	(1,302)	–	(1,302)
Commission expenses	(632)	–	(2,104)	(2,736)
Impairment loss except for certain unallocated impairment loss	–	–	(761)	(761)

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 7. 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 Hong Kong.

#### Information about major customers

No single customer contributed 10% or more to the Group's revenue during the years ended 31 March 2021 and 2020 respectively.

### 8. OTHER GAINS AND (LOSSES)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange gain (loss)	<u>125</u>	<u>(565)</u>

### 9. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	566	639
Government grants	50	–
Sundry income	<u>43</u>	<u>443</u>
	<u>659</u>	<u>1,082</u>

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".

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 10. STAFF COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' remuneration		
– fees	720	82
– salaries, discretionary bonus and other benefits	3,249	1,841
– contributions to the retirement benefit scheme	24	36
Salaries, discretionary bonus and other benefits	6,786	4,993
Contributions to the retirement benefit scheme	193	166
	<u>10,972</u>	<u>7,118</u>
Less: Government grants	(725)	–
	<u>10,247</u>	<u>7,118</u>

### 11. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on short-term advances from brokers	1,541	–
Interest on bank borrowings	247	1,302
Interest on lease liabilities	123	63
	<u>1,911</u>	<u>1,365</u>

### 12. IMPAIRMENT LOSS, NET OF REVERSAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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	(61)	761
– Other receivable	(60)	60
	<u>1,516</u>	<u>821</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 13. PROFIT BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment ( <i>note 18</i> )	1,886	1,785
Auditor's remuneration		
– Annual audit	1,700	1,500
– Interim review	500	–
Donation	–	1,000
Legal and professional fees	1,905	700
Information services expenses	1,572	1,445
Settlement and brokerage trading expenses	1,232	1,010
Compliance advisory fee	960	110
	<u>1,886</u>	<u>1,785</u>

### 14. TAXATION

	2021 HK\$'000	2020 HK\$'000
Hong Kong Profits Tax:		
Current tax	2,351	6,821
Overprovision in prior years	(15)	(9)
	<u>2,336</u>	<u>6,812</u>

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 14. TAXATION (Continued)

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:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Profit before taxation	<u><b>13,024</b></u>	<u>20,415</u>
Tax at income tax rate of 16.5%	<b>2,149</b>	3,368
Tax effect of expenses not deductible for tax purpose	<b>598</b>	3,730
Tax effect of income not taxable for tax purpose	<b>(224)</b>	(106)
Overprovision in prior years	<b>(15)</b>	(9)
Tax effect of profit under tax concessions	<b>(175)</b>	(185)
Others	<u><b>3</b></u>	<u>14</u>
Taxation for the year	<u><b>2,336</b></u>	<u>6,812</u>

As at 31 March 2021 and 2020, the Group has no unused tax losses available for offset against future profits.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 15. 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 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
<b>Executive Directors</b>					
Mr. Sy Man Chiu (chief executive) <sup>1</sup>	–	822	6	621	1,449
Mr. Ng Sik Chiu <sup>2</sup>	–	756	18	1,050	1,824
<b>Non-executive Director</b>					
Mr. Keng Stephen Lee <sup>3</sup>	360	–	–	–	360
<b>Independent Non-executive Directors</b>					
Dr. Yu Sun Say <sup>4</sup>	120	–	–	–	120
Mr. Lai Man Sing <sup>4</sup>	120	–	–	–	120
Dr. Ho Chung Tai Raymond <sup>4</sup>	120	–	–	–	120
	<u>720</u>	<u>1,578</u>	<u>24</u>	<u>1,671</u>	<u>3,993</u>

#### For the year ended 31 March 2020

Name	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Employer's contribution to MPF HK\$'000	Commission expenses HK\$'000	Discretionary bonuses HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Mr. Sy Man Chiu (chief executive) <sup>1</sup>	–	822	18	195	137	1,172
Mr. Ng Sik Chiu <sup>2</sup>	–	756	18	–	126	900
<b>Non-executive Director</b>						
Mr. Keng Stephen Lee <sup>3</sup>	40	–	–	–	–	40
<b>Independent Non-executive Directors</b>						
Dr. Yu Sun Say <sup>4</sup>	14	–	–	–	–	14
Mr. Lai Man Sing <sup>4</sup>	14	–	–	–	–	14
Dr. Ho Chung Tai Raymond <sup>4</sup>	14	–	–	–	–	14
	<u>82</u>	<u>1,578</u>	<u>36</u>	<u>195</u>	<u>263</u>	<u>2,154</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 15. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### Directors' and Chief Executive's emoluments (Continued)

- <sup>1</sup> Mr. Sy Man Chiu was appointed as director of the Company on 7 June 2016 and re-designated as executive director and chief executive director of the Company on 22 January 2020.
- <sup>2</sup> Mr. Ng Sik Chiu was appointed as director of the Company on 16 January 2019 and re-designated as executive director of the Company on 22 January 2020.
- <sup>3</sup> Mr. Keng Stephen Lee was appointed as director of the Company on 7 June 2016 and re-designated as non-executive director of the Company on 22 January 2020.
- <sup>4</sup> Dr. Yu Sun Say, Mr. Lai Man Sing and Dr. Ho Chung Tai Raymond were appointed as independent non-executive director of the Company on 22 January 2020.

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.

#### Five highest paid individuals

The five highest paid individuals included two directors (2020: two) for the year ended 31 March 2021, and details of whose emoluments were disclosed above. Details of the emoluments for the remaining three highest paid individuals (2020: three) for the year ended 31 March 2021 are as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Salaries, commission and allowances	<b>3,219</b>	3,820
Discretionary bonus	<b>852</b>	198
Contributions to retirement benefit scheme	<b>54</b>	54
	<b>4,125</b>	4,072

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 15. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### Five highest paid individuals (Continued)

Their emoluments were within the following bands:

	Number of employees	
	2021	2020
HK\$nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,000,001 to HK\$2,500,000	–	1
	<u>3</u>	<u>3</u>

During the years ended 31 March 2021 and 2020, 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.

### 16. EARNINGS PER SHARE

The calculation of the basic (2020: basic and diluted) earnings per share attributable to the owners of the Company is based on the following data:

	2021 HK\$'000	2020 HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share (2020: basic and diluted earnings per share) calculation	<u>10,688</u>	<u>13,603</u>

	Number of shares	
	2021	2020
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share (2020: basic and diluted earnings per share) calculation ('000)	<u>1,000,000</u>	<u>778,689</u>

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the Reorganisation and capitalisation issue pursuant to the Reorganisation as stated in note 2.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 16. EARNINGS PER SHARE (Continued)

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

The computation of diluted earnings per share for the year ended 31 March 2020 does not assume the exercise of the Company's over-allotment options because the exercise price of those options was higher than the average market price for shares for the relevant period.

### 17. DIVIDENDS

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

### 18. PROPERTY AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer HK\$'000	Leasehold improvements HK\$'000	Sub-total HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
COST							
At 1 April 2019	303	69	264	97	733	4,853	5,586
Additions	-	-	57	-	57	3,584	3,641
Eliminated upon end of lease	-	-	-	-	-	(4,853)	(4,853)
At 31 March 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
ACCUMULATED DEPRECIATION							
At 1 April 2019	156	61	215	67	499	3,504	4,003
Provided for the year	50	4	54	30	138	1,647	1,785
Eliminated upon end of lease	-	-	-	-	-	(4,853)	(4,853)
At 31 March 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
CARRYING VALUES							
At 31 March 2021	46	8	68	-	122	1,494	1,616
At 31 March 2020	97	4	52	-	153	3,286	3,439

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 18. 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 2020, the Group entered into lease modification by extending the lease agreement 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\$3,584,000 and lease liabilities of HK\$3,533,000.

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 2021 amounted to HK\$1,860,000 (2020: HK\$1,789,000).

### 19. INTANGIBLE ASSET

	<i>HK\$'000</i>
COST	
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>3,250</u>
AMORTISATION	
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>(515)</u>
CARRYING VALUES	
At 1 April 2019, 31 March 2020 and 31 March 2021	<u><u>2,735</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 19. INTANGIBLE ASSET *(Continued)*

As at 31 March 2021 and 2020, 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. Subsequently, 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, prior to years ended 31 March 2021 and 2020, 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% (2020: 11%) and growth rate is 0% (2020: 0%). The cash flow projections beyond the 5-year period are extrapolated using a steady 0% (2020: 0%) growth rate. A key assumption for the value-in-use calculation is the growth rate as 0% (2020: 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.

### 20. OTHER ASSETS

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
The SEHK		
– Compensation Fund deposits	<b>50</b>	50
– Fidelity Fund deposits	<b>50</b>	50
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– Admission fees	<b>50</b>	50
– Guarantee Fund contribution	<b>547</b>	639
	<b>697</b>	789

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 21. ACCOUNTS RECEIVABLE

	2021 HK\$'000	2020 HK\$'000
Accounts receivable arising from the business of dealing in securities ( <i>note a</i> )		
– HKSCC	34,859	47,707
– Cash clients	301	1,613
– Margin clients	261,019	169,133
Accounts receivable arising from placing and underwriting services ( <i>note b</i> )	1,928	1,598
	<b>298,107</b>	220,051
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(1,637)	–
– accounts receivable arising from placing and underwriting services	(700)	(761)
	<b>295,770</b>	219,290

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:

	2021 HK\$'000	2020 HK\$'000
0–30 days	20	–
31–60 days	–	9
61–90 days	–	93
Over 90 days	16	–
	<b>36</b>	102

Accounts receivable of securities margin clients are secured by clients' pledged securities with fair value of HK\$1,451,330,000 (2020: HK\$868,968,000). 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 2021 and 2020 (and in some cases the rate may go up to 14.4% (2020: 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 21. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

The Group has concentration of credit risk as 59% (2020: 57%) 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\$152,147,000 (2020: HK\$96,366,000), which is not past due, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK\$907,995,000 (2020: HK\$458,360,000). 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 2021 and 2020 are set out in "credit risk and impairment assessment" in note 34.

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 2019 HK\$'000	Balance at 31 March and 1 April 2020 HK\$'000	Balance at 31 March 2021 HK\$'000	Market value of pledged securities as at 31 March 2020 HK\$'000	Market value of pledged securities as at 31 March 2021 HK\$'000
Ms. Yeung Lai Lai and close members of her family	851	–	1,184	–	2,377

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 21. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

- (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:

	2021 HK\$'000	2020 HK\$'000
0–30 days	43	245
31–90 days	200	228
91–120 days	530	700
121–180 days	–	425
181–365 days	455	–
Over 365 days	700	–
	<u>1,928</u>	<u>1,598</u>

Impairment allowance of HK\$700,000 (2020: HK\$761,000) 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 2021 and 2020 are set out in note 34.

### 22. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Deposits	746	646
Other receivables	51	9,990
Prepayments	61	33
Less: allowance for impairment loss on other receivables	–	(60)
	<u>858</u>	<u>10,609</u>
Analyses as:		
Current	858	10,097
Non-current	–	512
	<u>858</u>	<u>10,609</u>

Details of impairment assessment at 31 March 2021 and 2020 are set out in note 34.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 23. BANK BALANCES AND CASH

#### Bank balances – general accounts and cash

Bank balances are carrying interest ranging from 0% to 0.25% (2020: 0% to 1.0%) 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 24) 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.

### 24. ACCOUNTS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cash clients	<b>98,288</b>	75,971
Margin clients	<b>107,076</b>	80,449
Broker	<b>834</b>	–
	<hr/> <b>206,198</b> <hr/>	<hr/> 156,420 <hr/>

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

Accounts payable to clients and broker 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\$141,537,000 (2020: HK\$111,352,000) 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 24. ACCOUNTS PAYABLE (Continued)

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:

	2021 HK\$'000	2020 HK\$'000
<b>Director of the Company</b>		
Mr. Sy Man Chiu and close members of his family	17	49
<b>Controlling shareholders of the Company</b>		
Mr. Keng Stephen Lee and close members of his family	306	65
Ms. Yeung Lai Lai and close members of her family	41	5,773
Man Chase Holdings Limited	12	–
	<u>12</u>	<u>–</u>

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

### 25. OTHER PAYABLES AND ACCRUED CHARGES

	2021 HK\$'000	2020 HK\$'000
Other payables	1,669	628
Accrued charges	1,794	3,086
	<u>1,794</u>	<u>3,086</u>
	<u>3,463</u>	<u>3,714</u>

### 26. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank overdrafts, secured	–	10,000
	<u>–</u>	<u>10,000</u>

The bank overdrafts are collateralised by the Group's margin clients' marketable securities with fair value of HK\$58,655,000 at 31 March 2020 pledged to the Group (with clients' consent) and repayable on demand.

Bank overdrafts carry interest at 2.25% p.a. over 1-month Hong Kong Inter-bank Offered Rate for the years ended 31 March 2021 and 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 27. LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Minimum lease payment due:		
Within one year	1,550	1,860
More than one year but not exceeding two years	–	1,550
	<hr/>	<hr/>
	1,550	3,410
Less: Future finance charge	(35)	(158)
	<hr/>	<hr/>
Present value of lease liabilities	<u>1,515</u>	<u>3,252</u>
Present value of lease liabilities:		
Within one year	1,515	1,737
More than one year but not exceeding two years	–	1,515
	<hr/>	<hr/>
	<u>1,515</u>	<u>3,252</u>

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.

### 28. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balance as at 1 April 2019, amounting to HK\$80,000,000, representing the share capital of Sinomax Securities Limited.

The share capital of Sinomax Securities Limited was subsequently transferred to other reserve upon group restructuring on 22 January 2020 as detailed in note 2.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 28. SHARE CAPITAL (Continued)

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

	Number of shares	Nominal amount HK\$'000
Authorised:		
At 31 March 2019	38,000,000	380
Increase on 22 January 2020 (note i)	<u>4,962,000,000</u>	<u>49,620</u>
At 31 March 2020 and 2021	<u><u>5,000,000,000</u></u>	<u><u>50,000</u></u>
Issued and fully paid:		
At 31 March 2019	100	—*
Share issued upon Reorganisation (note ii)	9,900	—*
Share issued pursuant to public offering (note iii)	250,000,000	2,500
Share issued by capitalisation of the share premium account (note iv)	<u>749,990,000</u>	<u>7,500</u>
At 31 March 2020 and 2021	<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

Notes:

- (i) On 22 January 2020, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 new shares of the Company.
- (ii) On 22 January 2020, the Company allotted and issued 9,900 shares of HK\$0.01 each upon Reorganisation.
- (iii) On 19 February 2020, 250,000,000 shares of HK\$0.01 each were issued at a price of HK\$0.5 per share in connection with the Company's initial public offering. The proceeds of HK\$2,500,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$122,500,000 (before share issue expenses) were credited to the share premium account. Dealings in the shares on the Stock Exchange commenced on 19 February 2020. The respective shares allotted and issued shall rank pari passu in all respects with the existing issued shares.
- (iv) A total of 749,990,000 shares of HK\$0.01 each were allotted and issued at par value to Man Chase by way of capitalisation of HK\$7,499,900 from the Company's share premium account on 19 February 2020. The respective shares allotted and issued shall rank pari passu in all respects with the existing issued shares.

\* Less than HK\$1,000

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 29. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

#### (a) Statement of financial position of the Company

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>		
Unlisted investments in a subsidiary	2	1
Amount due from a subsidiary	<u>90,600</u>	<u>88,700</u>
	<u>90,602</u>	<u>88,701</u>
<b>Current assets</b>		
Other receivable	–	9,930
Bank balances – general accounts	<u>92</u>	<u>2,505</u>
	<u>92</u>	<u>12,435</u>
<b>Current liabilities</b>		
Amounts due to subsidiaries	15,903	21,861
Accrued charges	<u>230</u>	<u>1,100</u>
	<u>16,133</u>	<u>22,961</u>
<b>Net current liabilities</b>	<u>(16,041)</u>	<u>(10,526)</u>
<b>Net assets</b>	<u>74,561</u>	<u>78,175</u>
<b>Capital and reserves</b>		
Share capital	10,000	10,000
Reserves	<u>64,561</u>	<u>68,175</u>
<b>Capital and reserves</b>	<u>74,561</u>	<u>78,175</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

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

#### (b) Reserves movement of the Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	–	(14,047)	(14,047)
Issue of shares pursuant to public offering	122,500	–	122,500
Issue of shares by capitalisation of share premium account	(7,500)	–	(7,500)
Expenses incurred in connection with issue of new shares	(10,194)	–	(10,194)
Loss and total comprehensive expense for the year	–	(22,584)	(22,584)
	<u>104,806</u>	<u>(36,631)</u>	<u>68,175</u>
At 31 March 2020			
Loss and total comprehensive expense for the year	–	(3,614)	(3,614)
	<u>104,806</u>	<u>(40,245)</u>	<u>64,561</u>
At 31 March 2021			

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 30. RELATED PARTY TRANSACTIONS

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

	<b>2021</b> <b>HK\$'000</b>	2020 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	<b>19</b>	10
– Mr. Keng Stephen Lee and close members of his family	<b>260</b>	9
– Ms. Yeung Lai Lai and close members of her family	<b>640</b>	382
	<b>919</b>	401
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	<b>23</b>	60
– Ms. Yeung Lai Lai and close members of her family	<b>30</b>	–
	<b>53</b>	60
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	<b>2</b>	2
– Mr. Keng Stephen Lee and close members of his family	<b>9</b>	2
– Ms. Yeung Lai Lai and close members of her family	<b>51</b>	30
	<b>62</b>	34

Compensation of key management personnel represents directors' remuneration as disclosed in note 15.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 31. 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\$217,000 (2020: HK\$202,000) charged to the consolidated statements of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

### 32. 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 flow were, or future cash flow will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities <i>HK\$'000</i>	Bank borrowings and short-term advances from brokers <i>HK\$'000</i>	Accrued share issue costs <i>HK\$'000</i>	Interest payable <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	1,445	30,000	506	–	31,951
Financing cash flows:					
– Repayment of bank borrowings	–	(20,000)	–	–	(20,000)
– Issue cost paid	–	–	(9,918)	–	(9,918)
– Interest paid	(63)	–	–	(1,302)	(1,365)
– Payment for lease	(1,726)	–	–	–	(1,726)
Lease modified	3,533	–	–	–	3,533
Interest expense	63	–	–	1,302	1,365
Issue cost accrued	–	–	9,412	–	9,412
At 31 March 2020	<u>3,252</u>	<u>10,000</u>	<u>–</u>	<u>–</u>	<u>13,252</u>
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	<u>1,515</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,515</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 33. 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 26, 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.

### 34. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets</b>		
Amortised cost	<u>530,515</u>	<u>490,749</u>
<b>Financial liabilities</b>		
Amortised cost	<u>207,867</u>	<u>167,048</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. FINANCIAL INSTRUMENTS *(Continued)*

#### Financial risk management objectives and policies *(Continued)*

##### **Market risk** *(Continued)*

###### *(i) Interest rate risk (Continued)*

###### Sensitivity analysis *(Continued)*

As at 31 March 2021, if the interest rate had been 10 basis points (2020: 10 basis points) higher/lower and all other variables were held constant, the Group's profit after taxation would increase by HK\$296,000 (2020: HK\$202,000) or decrease by HK\$218,000 (2020: HK\$134,000). Assets with interest below 10 basis points are excluded from 10 basis points downward movement.

A 10 basis points (2020: 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.

##### **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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. FINANCIAL INSTRUMENTS *(Continued)*

#### Financial risk management objectives and policies *(Continued)*

##### *Credit risk and impairment assessment (Continued)*

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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	2021 Gross carrying amount HK\$'000	2020 Gross carrying amount HK\$'000
Financial assets at amortised cost						
Bank balances (note 23)	1	A2 or higher	Normal	12-month ECL	<b>233,948</b>	260,883
Deposits and other receivables (note 22)	2	N/A	Normal	12-month ECL	<b>797</b>	10,636
Accounts receivable arising from placing and underwriting services (note 21)	3	N/A	Normal	Lifetime ECL (not credit impaired)	<b>43</b>	245
			Special mention	Lifetime ECL (not credit impaired)	<b>200</b>	228
			Sub-standard	Lifetime ECL (credit impaired)	<b>1,685</b>	1,125
					<b>1,928</b>	1,598
Accounts receivable arising from the business of dealing in securities (note 21)	4	N/A	Normal	12-month ECL	<b>292,662</b>	218,351
			Sub-standard	Lifetime ECL (credit impaired)	<b>3,517</b>	102
					<b>296,179</b>	218,453

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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 HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 April 2019 and 31 March 2020	–	–	–	–
– Impairment loss recognised (note a)	–	–	1,637	1,637
As at 31 March 2021	–	–	1,637	1,637

Note:

- (a) As at 31 March 2021, impairment allowance of HK\$1,637,000 made under lifetime ECL was in relation to accounts receivable arising from the business of dealing in securities with gross carrying amount of 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.

The Group received pledged listed securities as collateral amounted to approximately HK\$1,880,000 in respect of credit-impaired accounts receivable from margin clients for the year ended 31 March 2021.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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 (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 April 2019	–	–	–
New financial assets originated or purchased – Impairment loss recognised (note a)	18	743	761
As at 31 March 2020	18	743	761
– Impairment loss reversed (note b)	(18)	(43)	(61)
As at 31 March 2021	–	700	700

##### Notes:

- (a) During the year ended 31 March 2020, impairment allowance of HK\$761,000 made under lifetime ECL was in relation to new accounts receivable arising from placing and underwriting services with gross carrying amount of HK\$1,598,000.
- (b) 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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 2019	–	–
New financial assets originated or purchased		
– Impairment loss recognised (note a)	60	60
As at 31 March 2020	60	60
– Impairment loss reversed (note b)	(60)	(60)
As at 31 March 2021	–	–

Notes:

- (a) Impairment allowance of HK\$60,000 made under 12m ECL was in relation to new other receivable with gross carrying amount of HK\$9,990,000.
- (b) 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. 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 HK\$'000	Less than 1 month HK\$'000	Between 1 month to 3 months HK\$'000	Between 3 months to 1 year HK\$'000	Over 1 to 5 years HK\$'000	Total contracted undiscounted cashflows HK\$'000	Carrying amount at reporting date HK\$'000
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
		<u>207,033</u>	<u>989</u>	<u>310</u>	<u>1,085</u>	<u>-</u>	<u>209,417</u>	<u>209,382</u>
At 31 March 2020								
Accounts payables	N/A	156,420	-	-	-	-	156,420	156,420
Other payables	N/A	628	-	-	-	-	628	628
Bank borrowings	4.300	10,000	-	-	-	-	10,000	10,000
Lease liabilities	5.000	-	155	310	1,395	1,550	3,410	3,252
		<u>167,048</u>	<u>155</u>	<u>310</u>	<u>1,395</u>	<u>1,550</u>	<u>170,458</u>	<u>170,300</u>

As at 31 March 2021, the Group has available unutilised bank facilities of HK\$70,000,000 (2020: HK\$40,000,000).

#### Fair value measurement of financial instruments

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. FINANCIAL INSTRUMENTS *(Continued)*

#### Fair value measurement of financial instruments *(Continued)*

##### *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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. FINANCIAL INSTRUMENTS (Continued)

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

As at 31 March 2021

	Gross amounts of recognised financial assets after impairment <i>HK\$'000</i>	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position <i>HK\$'000</i>	Net amounts of financial assets presented in the consolidated statement of financial position <i>HK\$'000</i>	Related amounts not offset in the consolidated statement of financial position		Net amount <i>HK\$'000</i>
				Financial instruments <i>HK\$'000</i>	Collateral received <i>HK\$'000</i> <i>(note i)</i>	
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)	-	-	-	-
	<u>396,623</u>	<u>(102,081)</u>	<u>294,542</u>	<u>(44,251)</u>	<u>(215,432)</u>	<u>34,859</u>

	Gross amounts of recognised financial liabilities <i>HK\$'000</i>	Gross amounts of recognised financial assets set off in the consolidated statement of financial position <i>HK\$'000</i>	Net amounts of financial liabilities presented in the consolidated statement of financial position <i>HK\$'000</i>	Related amounts not offset in the consolidated statement of financial position		Net amount <i>HK\$'000</i>
				Financial instruments <i>HK\$'000</i>	Collateral pledged <i>HK\$'000</i> <i>(note i)</i>	
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
	<u>308,279</u>	<u>(102,081)</u>	<u>206,198</u>	<u>(44,251)</u>	<u>-</u>	<u>161,947</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. FINANCIAL INSTRUMENTS (Continued)

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

As at 31 March 2020

	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		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000 (note i)	
Amounts receivable arising from the business of dealing in securities						
HKSCC	93,489	(45,782)	47,707	–	–	47,707
Cash clients	2,192	(579)	1,613	(246)	(1,365)	2
Margin clients	208,368	(39,235)	169,133	(16,933)	(152,200)	–
	<u>304,049</u>	<u>(85,596)</u>	<u>218,453</u>	<u>(17,179)</u>	<u>(153,565)</u>	<u>47,709</u>
	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		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral pledged HK\$'000 (note i)	
Amounts payable arising from the business of dealing in securities						
HKSCC	45,782	(45,782)	–	–	–	–
Cash clients	76,550	(579)	75,971	(246)	–	75,725
Margin clients	119,684	(39,235)	80,449	(16,933)	–	63,516
	<u>242,016</u>	<u>(85,596)</u>	<u>156,420</u>	<u>(17,179)</u>	<u>–</u>	<u>139,241</u>

Note:

- (i) The cash and financial collateral received/pledged represent their fair values as at 31 March 2021 and 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 35. 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
			2021	2020	2021	2020	
<b>Directly held by the Company</b>							
Century Elite Global Limited	British Virgin Islands	Ordinary	US\$100	N/A	100%	N/A	Inactive
Smart Domain Group Limited	British Virgin Islands	Ordinary	US\$100	US\$100	100%	100%	Investment holding
<b>Indirectly held by the Company</b>							
Sinomax Securities Limited	Hong Kong	Ordinary	HK\$170,600,000	HK\$168,700,000	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				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Revenue	<u>35,656</u>	<u>56,722</u>	<u>65,275</u>	<u>61,503</u>	<u>39,188</u>
Profit before taxation	<u>18,004</u>	<u>39,883</u>	<u>45,590</u>	<u>20,415</u>	<u>13,024</u>
Taxation	<u>(4,375)</u>	<u>(6,854)</u>	<u>(7,809)</u>	<u>(6,812)</u>	<u>(2,336)</u>
Profit and total comprehensive income for the year	<u>13,629</u>	<u>33,029</u>	<u>37,781</u>	<u>13,603</u>	<u>10,688</u>

## ASSETS AND LIABILITIES

	At 31 March				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Total assets	277,433	345,228	378,753	497,745	538,330
Total liabilities	<u>160,199</u>	<u>194,965</u>	<u>190,709</u>	<u>181,279</u>	<u>211,176</u>
Net assets	<u>117,234</u>	<u>150,263</u>	<u>188,044</u>	<u>316,466</u>	<u>327,154</u>