

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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BOARD OF DIRECTORS**Executive Directors**

Mr. Chan Lap Tak, Douglas (*Chairman*)

Mr. Lo Chi Ho (*Chief Executive Officer*)

Independent Non-Executive Directors

Mr. Chan Chi Kwong Dickson

Mr. Liu Kin Sing

Mr. Au Yeung Po Fung

COMPANY SECRETARY

Mr. Liew Swee Yean, *Certified Public Accountant*

COMPLIANCE OFFICER

Mr. Lo Chi Ho

AUTHORISED REPRESENTATIVES

Mr. Chan Lap Tak, Douglas

Mr. Liew Swee Yean

AUDIT COMMITTEE

Mr. Au Yeung Po Fung (*Chairman*)

Mr. Chan Chi Kwong Dickson

Mr. Liu Kin Sing

REMUNERATION COMMITTEE

Mr. Liu Kin Sing (*Chairman*)

Mr. Au Yeung Po Fung

Mr. Chan Lap Tak, Douglas

NOMINATION COMMITTEE

Mr. Chan Lap Tak, Douglas (*Chairman*)

Mr. Liu Kin Sing

Mr. Chan Chi Kwong Dickson

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PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

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STOCK CODE

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WEBSITE OF THE COMPANY

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CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board, I am pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2019.

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$44.3 million, representing a decrease of approximately 16.9% as compared to the year ended 31 December 2018. Profit attributable to owners of the Company increased by approximately 20.4% from approximately HK\$0.88 million for the year ended 31 December 2018 to approximately HK\$1.06 million for the year ended 31 December 2019. If the decrease of listing expenses of approximately HK\$11.1 million were excluded, the profit attributable to owners of the Company decreased significantly by approximately 79.0% from approximately HK\$13.8 million for the year ended 31 December 2018 to approximately HK\$2.9 million for the year ended 31 December 2019.

There are two major development since our successful listing in February 2019, the setting up of our R&D center in mainland China and the development of our wealth management solution. Our R&D center is strategically located in the Greater Bay Area and shall strive to be a major financial technology service provider, whereas our wealth management solution is scheduled to be launched in latter part of the year 2020 which aims to empower individual investors with professional tools, such as portfolio tracking and index tracking portfolio with a mobile app.

On behalf of the Board, I would like to express our sincere gratitude for the hard work of our staff, and the continuous and valuable support of the Group from all our Shareholders and stakeholders.

Chan Lap Tak, Douglas

Chairman

Hong Kong, 24 March 2020

BUSINESS REVIEW

The Group is principally engaged in the provision of financial software solution services to primarily financial institutions (including mainly brokerage firms, proprietary trading firms and wealth management companies) in Hong Kong. The Group derives its revenue mainly from front office solution service, back office solution service, installation and customisation services, managed cloud service and other services income.

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK\$44.3 million, representing a decrease of approximately 16.9% from approximately HK\$53.3 million recorded for the year ended 31 December 2018. Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately HK\$1.01 million, representing an increase of approximately 14.8% as compared with the profit of approximately HK\$0.88 million for the year ended 31 December 2018 mainly due to the decrease of listing expenses of approximately HK\$11.1 million.

The Group has established its research and development center in Shenzhen in order to enhance the Group's competitiveness within the financial technology market.

OUTLOOK

With the Group's long term objective to strengthen its position as one of the major financial software solution services providers by enhancing its overall competitiveness in the financial technology market, the Group intends to focus on (i) expanding its customer base in wealth management solution; (ii) improving user trading applications; and (iii) expanding our managed cloud services to local brokerage firm clients. Our wealth management solution is scheduled to be launched in latter part of the year 2020, which aims to empower individual investors with professional tools on a mobile app.

The Group believes that the coming year shall continue to be challenging due to uncertain global environment and social unrest in the city. The outbreak of coronavirus have further impacted on the global economy and it is expected that the Group's performance will inevitably be affected. Despite various challenges, the Group will strictly adhere to its cost control policy and shall swiftly adjust its business strategies in response to changes of the external environment. We will continue to capture market opportunities so as to achieve a sustainable business growth and long-term benefits of our Shareholders.

FINANCIAL REVIEW

Revenue

The Group derives its revenue primarily from the provision of financial technology solutions which can be classified into (i) front office solution service; (ii) back office solution service; (iii) installation and customisation services; (iv) managed cloud service and (v) other services income. For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$44.3 million, representing a decrease of approximately 16.9% as compared with the previous year of approximately HK\$53.3 million. Such decrease was mainly attributable to the significant decrease in the revenue from front office solution service and installation and customisation services. The revenue from front office solution service decreased by approximately 15.3% from approximately HK\$28.2 million for the year ended 31 December 2018 to approximately HK\$23.9 million for the year ended 31 December 2019 due to adverse business and economic conditions. The revenue from installation and customisation services decreased by approximately 44.0% from approximately HK\$6.4 million for the year ended 31 December 2018 to approximately HK\$3.6 million for the year ended 31 December 2019 mainly due to the recognition of non-recurrent set up charges for Two Factor Authentication Solution in second quarter of 2018. The income from managed cloud service increased by approximately 8.1% from approximately HK\$3.1 million for the year ended 31 December 2018 to approximately HK\$3.3 million for the year ended 31 December 2019. Other services income decreased by approximately 44.9% from approximately HK\$3.3 million for the year ended 31 December 2018 to approximately HK\$1.8 million for the year ended 31 December 2019 due to decrease in product sales.

Purchases of and Changes in Inventories

The Group's purchases of and changes in inventories for the year ended 31 December 2019 decreased by approximately HK\$1.3 million. Such decrease was primarily due to a decrease of approximately HK\$1.8 million in product sales of the Group for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before Tax

The Group's profit before tax for the year ended 31 December 2019 was approximately HK\$1.7 million, representing a decrease by approximately 49.0% when compared with its profit before tax of approximately HK\$3.4 million for the year ended 31 December 2018. This was primarily due to (i) decrease of non-recurring installation and customisation service income by approximately HK\$2.8 million; (ii) decrease of front office solution service income by approximately HK\$4.3 million; (iii) decrease of listing expenses by approximately HK\$11.1 million; and (iv) increase of legal and professional fees by approximately HK\$3.1 million.

Other Income

The Group's other income consists of management fee received from a joint venture and interest income on bank deposits. The Group's other income increased to approximately HK\$0.8 million from approximately HK\$0.1 million for the year ended 31 December 2018 due to an increase in interest income of approximately HK\$0.7 million.

Staff Costs

For the year ended 31 December 2019, the Group's staff costs were approximately HK\$20.1 million, representing an increase of approximately 1.0% over the staff costs of approximately HK\$19.9 million for the year ended 31 December 2018. The increase was primarily due to the general inflation rate of staff costs.

Depreciation

The Group's depreciation expenses increased significantly by approximately HK\$2.3 million for the year ended 31 December 2019 representing an increase of approximately 1,106.2% from approximately HK\$0.1 million for the year ended 31 December 2018. The increase was primarily due to the depreciation of right-of-use-assets of approximately HK\$2.1 million during the year ended 31 December 2019 upon the adoption of HKFRS 16 on 1 January 2019.

Other Operating Expenses

The Group's other operating expenses mainly include (i) cost of services; (ii) legal and professional expenses; and (iii) listing expenses. The Group's other operating expenses for the year ended 31 December 2019 were approximately HK\$20.5 million, representing a decrease of approximately 27.9% over the other operating expenses of approximately HK\$28.5 million for the year ended 31 December 2018. The decrease was primarily attributable to an increase in legal and professional expenses of approximately HK\$3.1 million and a decrease in listing expenses of approximately HK\$11.1 million.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2019 was approximately HK\$0.7 million, representing a decrease of approximately 71.7% from approximately HK\$2.5 million for the year ended 31 December 2018. Such decrease was in line with the decrease in revenue for the year ended 31 December 2019. The effective income tax rates of the Group, which equal to the income tax expense divided by profit before tax, were approximately 41.0% and 73.8% for the year ended 31 December 2019 and 2018, respectively. The decrease in the effective income tax rate for the year ended 31 December 2019 was primarily attributable to the net effect of (i) the loss before tax of a subsidiary; and (ii) the incurrence of listing expenses that are not deductible.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately HK\$1.01 million, representing an increase of approximately 14.8% as compared with the profit of approximately HK\$0.88 million for the year ended 31 December 2018. The increase was primarily attributable to the decrease of listing expenses by approximately HK\$11.1 million, offset by (i) the decrease of non-recurring installation and customisation service income by approximately HK\$2.8 million; (ii) the decrease of front office solution service income by approximately HK\$4.3 million; and (iii) the increase of legal and professional fees by approximately HK\$3.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations are financed mainly by cash generated from operations. The Group recorded net current assets of approximately HK\$51.2 million as at 31 December 2019 (2018: HK\$26.0 million).

As at 31 December 2019, the Group's current assets amounted to approximately HK\$59.4 million (2018: HK\$36.0 million) of which HK\$Nil (2018: HK\$0.05 million) was inventories; approximately HK\$6.7 million was trade and other receivables (2018: HK\$11.7 million); and approximately HK\$47.0 million was bank and cash balances (2018: HK\$19.0 million).

As at 31 December 2019, the Group had no interest-bearing and non-interest bearing borrowing. On the same date, the Group had unused banking facilities of HK\$5.0 million which was secured by cash deposits of not less than HK\$5.0 million, and unused unsecured banking facilities of approximately HK\$241,000.

Given that there was no interest-bearing borrowing as at 31 December 2019 and 31 December 2018, the gearing ratio is not applicable for analysis.

The Group's financial position has been further enhanced by the net proceeds of HK\$23.3 million obtained from the Listing in February 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations are subject to certain risks and the major ones that may have a material and adverse effect on the Group's business, financial conditions and results of operations include: (i) the Group's research and development may not be able to catch up with technological advancements which are important for the Group to maintain its competitiveness; and (ii) the Group may be unable to collect its trade receivables in a timely manner and have to record impairment losses. In addition, the Group's activities are exposed to a variety of financial risks including, credit risk, liquidity risk and interest rate risk.

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 19 February 2019. There has been no change in the capital structure of the Company since then. As at 31 December 2019, the capital structure of the Company comprised mainly of issued share capital and reserves.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged its HK\$5 million (2018: HK\$5 million) bank deposits to secure overdraft facilities granted to the Group to the extent of HK\$5 million (2018: HK\$5 million).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2019 and the year ended 31 December 2018.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material capital commitments and contingent liabilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's foreign currency risk is primarily attributable to cash and cash equivalents and the account payables in Renminbi as set out in note 6(a) to the consolidated financial statements, The Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EXPOSURE TO CREDIT RISK

The Group's credit risk is primarily attributable to cash and cash equivalents and the accounts receivables due from customers and contract assets as set out in note 6(b) to the consolidated financial statements. Our management does not expect significant credit risk as all bank balances are placed with banks with good credit rating and the Group has comprehensive credit policy in place.

EXPOSURE TO LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is set out in note 6(c) to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO INTEREST RATE RISK

The Group's exposure to interest rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition. The Group does not have significant exposure on interest rate risk. Except as stated above, the Group has no other interest-bearing assets and liabilities as at the end of the reporting period, its income and operating cash flows are substantially independent of changes in variable interest rates.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a workforce of 59 (2018: 33) full-time employees. The remuneration of the Group's employees is determined depending on a number of factors, including their qualifications, function, experience, work performance and local market conditions. The Group regularly reviews its compensation and benefit policies to ensure that the remuneration package offered remains competitive and in line with relevant labour regulations. For the year ended 31 December 2019, the total employee benefit expenses of the Group (including salaries, bonuses, allowances and retirement benefit scheme contributions) was approximately HK\$20.1 million (2018: HK\$19.9 million). The Company has adopted a share option scheme on 22 January 2019 to enable the Company to grant options to, amongst others, the employees and directors of the Group. To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company has adopted a share award scheme on 12 August 2019.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments as at 31 December 2019. Save as disclosed in the Prospectus and the events after the reporting period as set out in note 37 to the consolidated financial statements, the Company did not have other plans for material investments or capital assets.

USE OF PROCEEDS FROM LISTING

The net proceeds from the share offer were approximately HK\$23.3 million, which was based on the gross proceeds from the share offer less the actual expenses related to the Listing. Subsequent to the Listing, these proceeds will be used for the purposes in accordance with the future plans as set out in the Prospectus and the utilization amount of net proceeds is set out as below:

Use of proceeds

| Description of intended use of the proceeds | Net proceeds HK\$ million | Approximate percentage of total net proceeds | Actual use of proceeds from Listing Date to 31 December 2019 HK\$ million | Unutilized amount as at 31 December 2019 HK\$ million |
|--|------------------------------|---|--|---|
| Expand the business in Wealth Management Solution | 2.6 | 11% | 0.23 | 2.37 |
| Improve the user trading applications | 6.8 | 29% | 0.23 | 6.57 |
| Expand the managed cloud services to local brokerage firm clients | 2.6 | 11% | 0.21 | 2.39 |
| Establish a research and development centre in the PRC (Note) | 10.7 | 46% | – | 10.7 |
| General working capital | 0.6 | 3% | – | 0.6 |
| | 23.3 | 100% | 0.67 | 22.63 |

Note: Reference is made to the announcement made by the Company on 22 January 2020 (the "Announcement") regarding the acquisition of property in the PRC and change of use of proceeds. As mentioned in the Announcement, having considered the cost, the size and accessibility of the properties available in Qianhai, Shenzhen, the Board is of the view that the acquisition of a property for office use in Qianhai as originally planned may not be optimal for the Company's development. Further, given the strategic location of the property in Luohu, Shenzhen, which is in close proximity to the Group's headquarter in Hong Kong and the Group could avoid incurring additional costs for relocation by acquiring the office premises which it is currently using, the Board resolved to change the location of establishment of the Group's research and development centre, and entered into a sale and purchase agreement for the acquisition of an office premises located in Luohu, Shenzhen, the PRC. As there was a delay in the set up of the PRC subsidiary and the acquisition of property for use as the Group's research and development centre in the PRC, there was a delay in utilising the relevant proceeds. Save for the abovementioned change in the location of establishment of the Group's research and development centre, there is no other change in the use of proceeds from the share offer.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus and the Announcement with actual progress for the year ended 31 December 2019:

| Business objectives as set out in the Prospectus | Actual progress from 1 January 2019 up to 31 December 2019 |
|--|---|
| <p>Expand business in Wealth Management Solution</p> <ul style="list-style-type: none"> - man power investment by hiring one experienced business analyst - an power investment by hiring independent third party research and development personnel - marketing communication expenses including fees for participating in industry exhibitions or seminars and running sales campaigns | <p>An experienced business analyst was hired to join the team to develop the solution. Research on the development of the Wealth Management Solution enhancement was initiated. Joined with a media company to launch a radio program to educate public various information in FinTech and the application for wealth management.</p> |
| <p>Improve user trading applications</p> <ul style="list-style-type: none"> - man power investment by hiring one experienced business analyst - man power investment by hiring independent third party research and development personnel - application for market data licence from HKEX involving OMD securities premium feed redistribution fee, OMD derivatives premium feed redistribution fee, and connection fee - data centre deployment involving fees for deployment of low latency infrastructure at HKEX co-location data centre, network equipment, and annual maintenance cost - marketing communication expenses including fees for digital marketing activities | <p>An experienced business analyst was hired to join the team to review and to improve the solution. Has been liaising with different market data vendors to obtain the market data feed to facilitate the application for market data license from HKEx. Data center infrastructure design to be started after market data vendor partner is selected.</p> |
| <p>Expand our managed cloud services to local brokerage firm clients</p> <ul style="list-style-type: none"> - man power investment by hiring a network support engineering for running the cloud services - data centre deployment - marketing communication expenses involving hosting industry seminar, participating in industry exhibitions and seminars, and putting advertisements | <p>A network support engineer was hired to join the System Team to support the data center operation. Reviewing the feasibility to add-on OMD-D HKEx derivatives data feed to our current cloud services. Enhancement was done with data center provider to improve the performance and stability of the cloud services.</p> |
| <p>Establish our research and development centre in the PRC</p> <ul style="list-style-type: none"> - acquisition of property in Qianhai, Shenzhen, the PRC <i>(Note)</i> - renovation of the acquired property and acquisition of furniture - acquisition of computer software such as operating system and data processing software | <p>The subsidiary for the research and development center in the PRC was established by the end of July 2019. Property agents were contacted to identify suitable properties for sale in Qianhai, Shenzhen, the PRC. The Company entered into a short term office lease (including the use of furniture and office equipment) in November 2019 as no suitable properties are found. The Company continued to explored other areas of Shenzhen and compared the office premises in different locations with the view of maximizing the shareholders' interest. <i>(Note)</i></p> |

Note: As disclosed in the Announcement, on 22 January 2020, the Board resolved to change the location of establishment of the Group's research and development centre, and entered into a sale and purchase agreement for the acquisition of an office premises located in Luohu, Shenzhen, the PRC. For details, please refer to the Announcement.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Lap Tak, Douglas (陳立德), aged 54, is an executive Director, founder of the Group and Chairman. Mr. Chan is responsible for formulating and monitoring the Company's overall strategic plan and research and development. Mr. Chan is the architect of the Group's global order management system as well as a key researcher of alpha investment model. Mr. Chan has over 30 years of experience in the securities and derivatives field in the United States and Hong Kong. He was the first generation involved in financial network computing technologies with over 30 years of experience on the Arpanet/Internet and over 28 years of experience in the brokerage industry. Prior to founding the Group, Mr. Chan was a vice president and executive director at The Goldman Sachs Group, Inc. in the United States, a global investment banking, securities and investment management firm that provides a wide range of financial services and listed on the New York Stock Exchange (stock symbol: GS), between July 1991 and January 2000 and helped in setting up its Asian equity derivatives business in 1994. He was also a member of the quantitative strategies group at The Goldman Sachs Group, Inc. and was responsible for developing various global trading and risk management systems for both cash and equity derivatives. Mr. Chan was then transferred to the Hong Kong office in September 1994 and gained experience with trading systems at both the Stock Exchange and the Hong Kong Futures Exchange. He worked at The Bear Stearns Companies, Inc., a New York-based global investment bank and securities trading and brokerage firm as vice president in advanced technologies between August 1987 and September 1989. In the late 1980s, he was also the first generation in developing program trading systems in a distributed computing environment when he worked at Salomon Brothers, an investment banking firm providing investment-banking, securities underwriting, and foreign exchange trading services as manager of systems programming between October 1989 and July 1991 in the United States.

Mr. Chan was a member of the derivatives market consultative panel of HKEX from June 2009 to May 2015. He was awarded the Hong Kong Computer Society Outstanding IT Achiever Awards 2008 – IT Professional Competency Award in March 2009.

Mr. Chan graduated from the State University of New York at Stony Brook, United States as the valedictorian with Bachelor's Degree of science majoring in computer science in May 1985 and was further awarded the degree of Master of Science majoring in computer science by the New York University, United States in May 1992.

Mr. LO Chi Ho (盧志豪), aged 47, is an executive Director and the chief executive officer. Mr. Lo is responsible for developing the Group's solutions with the latest technology. Mr. Lo has over 17 years of experience in the software industry and more than 10 years of experience in applying the latest technology to improve finance business processes. Prior to joining the Group in 2007, Mr. Lo worked for Hongkong and Shanghai Banking Corporation, a licensed bank in Hong Kong, as an IT project manager of CIBM IT cross products between September 2006 and July 2007 and he was responsible for project management in relation to information technology.

Mr. Lo graduated from the University of Michigan, United States with the degree of bachelor of science in engineering in August 1994. He subsequently obtained a degree of Master of Science in information systems management from the Hong Kong University of Science and Technology in November 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Chi Kwong Dickson (陳智光), aged 48, was appointed as an independent non-executive Director on 19 June 2018. He is a member of the Company's audit committee and nomination committee.

Mr. Chan has over 26 years of experience in accounting in Hong Kong. Between September 1989 and March 1991, he worked as an accounts clerk at L&D Investment Ltd. He was later employed by Yip, Leung & Chan, Certified Public Accountants, as an audit clerk from April 1991 to June 1992. Afterwards, he was an audit semi-senior of Chan, Wong, Chung & Co. and Philip P.L. Choi & Co., both of which are Certified Public Accountants, for the period from June 1992 to August 1993 and from January 1994 to April 1996, respectively. Further, Mr. Chan worked for H.M. Tsang & Mak and RSM Nelson Wheeler (following the merger of Lai & Fan, Sothertons and Nelson Wheeler on 1 January 1999), both of which are Certified Public Accountants, as an audit senior for the period from April 1996 to January 1997 and from January 1997 to October 2003, respectively.

Subsequently, Mr. Chan acted as a practising accountant of Dickson C.K. Chan, Certified Public Accountants for the period from January 2004 to December 2006, where he was a sole proprietor involved in providing assurance and tax services. He later founded and was a partner of FC Partners CPA Limited, from January 2007 to May 2014. Afterwards, Mr. Chan co-founded CF Partners Limited, Certified Public Accountants, in November 2009 and is now a partner therein. He has also been a director and partner of JH CPA Alliance Limited, Certified Public Accountants, since January 2010, where he is responsible for providing assurance and tax advisory services. Mr. Chan also founded Infinity Assurance Limited, Certified Public Accountants, in June 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Between December 2011 and April 2013, Mr. Chan was an independent non-executive director of Megalogic Technology Holdings Limited (currently known as New Western Group Limited) (stock code: 8242), the shares of which are listed on GEM and was principally engaged in the integrated circuit business, property management and money lending business. From October 2016 to September 2018, Mr. Chan was the company secretary of Coastal Corporation Limited. Since July 2018, Mr. Chan has been the chief financial officer of iCentury Holdings Limited (stock code: 8507), the shares of which are listed on GEM and is an apparel supply chain management services provider. Mr. Chan has been appointed as an independent non-executive director of Sanbase Corporation Limited (stock code: 8501) since January 2020.

Mr. Chan has been registered as a certified public accountant of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 2004 and has been a member since March 2001. In December 2008, he became a fellow of the Hong Kong Institute of Certified Public Accountants. He has been a member of The Association of Chartered Certified Accountants since November 2000 and was admitted as a fellow in November 2005. In November 2004, Mr. Chan obtained a master's degree of Corporate Finance from The Hong Kong Polytechnic University and a Bachelor of Laws degree from the City University of Hong Kong in October 2014.

Mr. AU YEUNG, Po Fung (歐陽寶豐), aged 52, was appointed as an independent non-executive Director on 19 June 2018. He is the chairman of the Company's audit committee and a member of the remuneration committee.

Mr. Au Yeung has over 28 years of experience in property development, financing, credit control, tax and other financial matters.

Mr. Au Yeung has worked at various financial institutions, conglomerates and an international audit firm. Mr. Au Yeung has been a fellow member of the Institute of Chartered Accountants in England and Wales since July 2015, a chartered financial analyst of the CFA Institute since September 2006, a fellow member of the Association of Chartered Certified Accountants since November 2000, and a fellow of the Hong Kong Institute of Certified Public Accountants since May 2003.

Mr. Au Yeung was an independent non-executive director of Kiu Hung International Holdings Limited from May 2016 to September 2016, an independent non-executive director of China LNG Group Limited (stock code: 931) from July 2016 to September 2019 and an independent non-executive director of GR Properties Limited (stock code: 108) from July 2017 to February 2020.

Mr. Au Yeung has been appointed as an independent non-executive director of Shanshan Brand Management Co., Ltd. (stock code: 1749) since May 2018, an independent non-executive director of Redsun Properties Group Limited (stock code: 1996) since June 2018, an independent non-executive director of Zhongliang Holdings Group Company Limited (stock code: 2772) since June 2019 and an independent non-executive director of Sinic Holdings (Group) Company Limited (stock code: 2103) since August 2019, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Au Yeung graduated from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990 with a degree of bachelor of arts in business studies.

Mr. LIU Kin Sing (廖健昇), aged 51, was appointed as an independent non-executive Director on 19 June 2018. He is the chairman of the Company's remuneration committee and a member of the audit committee and the nomination committee. Mr. Liu has over 27 years of experience in the legal industry in Hong Kong. He started his career as an articled clerk in Boase Cohen & Collins Solicitors & Notaries ("BC&C"), a law firm in Hong Kong, between August 1991 and July 1993, and was an assistant solicitor there between August 1993 and April 1995. In September 1999, he re-joined BC&C as a consultant and has been a partner of BC&C since December 2000.

Mr. Liu is also a member of the Guardianship Board and the Transport Tribunals' Panel. He is also an independent director of the Travel Industry Council of Hong Kong. He was also a member of the Solicitors Disciplinary Tribunal Panel between January 2005 and January 2017 and a member of the Board of Review (Inland Revenue Ordinance) between 2008 and 2019.

Mr. Liu is also an honorary legal adviser of the Hong Kong Small and Medium Enterprises Association, an honorary legal adviser of the International Association of Lions Clubs District 303 Hong Kong & Macao, China and the legal adviser of the Hong Kong General Chamber of Young Entrepreneurs.

Mr. Liu graduated from the University of Hong Kong with a bachelor degree of laws in June 1990. He then obtained a Postgraduate Certificate in Laws from the same university in June 1991. Mr. Liu was admitted as a solicitor in the Supreme Court, now the High Court of Hong Kong in July 1993. In June 2008, Mr. Liu obtained a Master of Business Administration from the Kellogg School of Management, Northwestern University jointly with the School of Business and Management of the Hong Kong University of Science and Technology.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LIEW Swee Yean (劉瑞源), aged 56, is the financial controller and company secretary of eBroker Systems Limited (“eBroker Systems”), an indirect subsidiary of the Company, and is responsible for the corporate financial affairs of our Group. He has extensive of experience in the finance and accounting fields.

Prior to joining our Group in 2012, Mr. Liew was a director of finance of Quantsmile (HK) that principally engages in asset management between October 2005 and November 2012, and was responsible for financial reporting functions and operating risk management issues. He was the regional financial controller of Pico Global Services Limited, a company that provides event marketing solution services between April 2005 and October 2005, and was responsible for financial reporting and related matters. Mr. Liew worked as the financial controller with Dah Hwa International (Holdings) Ltd. (now known as China Infrastructure Investment Limited (中國基建投資有限公司)) that principally engages in property investment (a company listed on the Main Board of the Stock Exchange, stock code: 00600) between November 2002 and April 2005 and was responsible for financial reporting and related matters. He was the financial controller of Polytek Engineering Co., Ltd., a manufacturer and importer of kitchen and laundry equipment between March 1997 and December 1998, and was responsible for financial reporting and related matters.

Mr. Liew was an independent non-executive director of Siberian Mining Group Company Limited that principally engages in mining and mineral resources and commodities trading (a company listed on the Main Board of the Stock Exchange, stock code: 01142) between December 2008 and February 2014. Since November 2006, he has been an independent non-executive director with Kaisun Energy Group Limited (a company listed on GEM of the Stock Exchange, stock code: 08203) that principally engages in coal production, production of mining machineries and the provision of supply chain management services for mineral business.

Mr. Liew graduated from the City University of Hong Kong with a master’s degree in business administration (executive) in November 2002. He has been admitted as a fellow member of the Association of Chartered Certified Accountants since May 1998 and a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 2003.

Mr. KOO Man Fai (顧文輝), aged 59, is the application development manager of eBroker Systems and is principally responsible for managing the development team and working with outsourcing vendor to design and develop system applications. Mr. Koo joined the Group in May 2005 and has over 17 years of experience in the computing software development field. Prior to joining the Group, Mr. Koo worked as a software engineer with Globe Technology Development Limited, a mobile network service provider from February 2004 to April 2005 where he was responsible for software engineering. From May 2000 to August 2003, he was an assistant computer officer with the Hong Kong University of Science and Technology, Cyberspace Centre, where he was responsible for handling projects focusing on smart card technology and security-related applications on mobile devices.

Mr. Koo obtained a bachelor’s degree in computer science in January 1989 and further achieved a master’s degree in computer science in June 1990 at the New York Institute of Technology. He also obtained a diploma in internet technology management at the HKUST College of Lifelong Learning of Hong Kong University of Science and Technology in January 2002.

Mr. WONG Kwing Nam (黃焯南), aged 41, is the senior marketing manager of eBroker Systems and is principally responsible for leading the sales and marketing team and managing trading system implementation projects. Mr. Wong joined the Group in May 2006 and has over 17 years of experience in the fields of information technology and project management. Prior to joining the Group, Mr. Wong worked as a system administrator with Opus IT Services Pte Ltd, an information technology service solutions company from January 2005 to January 2006 and was responsible for coordinating and implementing network devices and servers for the Media Development Authority of Singapore and Singapore Management University. From December 2003 to December 2004, Mr. Wong worked as a server support officer with Standard Chartered Bank, and was responsible for servers management, carrying out servers application upgrade projects and user desktop support. From June 2000 to June 2001, Mr. Wong worked as a trainee with Compaq Computer Limited, a company that develops and sells computers and related products, and was responsible for providing helpdesk support, network trouble shooting, and managing computer network and systems.

Mr. Wong graduated from the Chinese University of Hong Kong with a bachelor’s degree in engineering in May 2002.

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 May 2016 under the Companies Law. Pursuant to a reorganisation of the Group in preparation for the listing of the Shares on GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of the corporate reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 19 February 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the provision of financial technology solution to primarily financial institutions. Details of the principal activities of the subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2019.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 3 to 8 of this report. The discussion forms part of this Directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the Group's financial position at that date are set out in the consolidated financial statements on pages 31 to 32 respectively of this report.

The Company has adopted a general dividend policy on 25 March 2019, pursuant to which the Company may declare and distribute dividends to allow Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for further growth. In deciding whether to recommend the payment of dividend to Shareholders, the Board shall take into account, inter alia, the following factors:

- the general financial condition of the Group;
- the Group's actual and future operations and liquidity position;
- the Group's expected working capital requirements and future expansion plans;
- the Group's debt to equity ratios and the debt level;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Shareholders' and the investors' expectation and industry's norm;
- the general market conditions; and
- any other factors that the Board deems appropriate.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the dividend policy of the Company on a regular basis.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out on page 75. This summary does not form part of the audited consolidated financial statements.

REVENUE

An analysis of the Group's revenue for the year ended 31 December 2019 is set out in note 7 to the consolidated financial statements.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES BY THE COMPANY AND ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities, convertible securities, options, warrants or similar rights of the Company during the year ended 31 December 2019 and up to the date of this report, save for those relating to the reorganisation, details of which are set out in the paragraph headed "A. Further information about our Group – 2. Changes in the share capital of our Company" in Appendix IV to the Prospectus.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in note 30 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the reserves available for distribution to owners of the Company were approximately HK\$62,425,000.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$336,800 (2018: HK\$Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 23.3% (2018: 26.7%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 7.1% (2018: 7.4%). Sales to the five largest customers did not exceed 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 93.7% (2018: 89.7%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 78.4% (2018: 70.1%).

As at 31 December 2019, Mr. Chan Lap Tak, Douglas, an executive Director and the Chairman, was together with his close associates, interested in approximately 16.67% and 16.67% in one of the Group's five largest customers and suppliers respectively. Save as disclosed above, during the year ended 31 December 2019, none of the Directors, their associates or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued Shares) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Chan Lap Tak, Douglas (*Chairman*)
Mr. Lo Chi Ho (*Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Kwong Dickson
Mr. Liu Kin Sing
Mr. Au Yeung Po Fung

Pursuant to article 84(1) of the Articles, not less than 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. Lo Chi Ho and Mr. Liu Kin Sing will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received, from each of the independent non-executive Directors, a written confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and as at the date of this report, the Company still considers them to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 11 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and each of the independent non-executive Directors has entered into a letter of appointment with the Company and is appointed for a term of three years commencing from the Listing Date. Both the service contract and the appointment letter may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND SHARE-BASED COMPENSATION SCHEME

The remuneration of the Group's employees is determined based on a number of factors, including their qualifications, function, experience, work performance and local market conditions. The Group regularly reviews its compensation and benefit policies to ensure that the remuneration package offered remains competitive and in line with relevant labour regulations. The long term incentive scheme of the Group include share option scheme and share award scheme.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration committee of the Company is set up for reviewing the Group's emolument policy and structure for making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group. The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments of the Directors are determined with reference to market conditions, directors' duties, responsibilities and performance and the results of the Group.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 13 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled under the Articles to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him or her as a Director in the execution or discharge of his or her duty.

As at the date of this report, the Company has taken out Directors' and officers' liabilities insurance which provides appropriate coverage for the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in the paragraph headed "Continuing connected transactions" and in notes 13(d) and 36 to the consolidated financial statements, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2019 or at any time during the year.

CONTRACT OF SIGNIFICANCE

Save for the related party transactions disclosed in note 36(a) to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries, nor any contract of significance for provision of services to the Company or any of subsidiaries by a Controlling Shareholder or any of its subsidiaries during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2019.

DIRECTORS' REPORT

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

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) 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 in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions

| Number of Director | Capacity and nature of interest | Number of Shares held | Approximate percentage of the issued Shares |
|--|---------------------------------|-----------------------|---|
| Mr. Chan Lap Tak, Douglas ("Mr. Chan") | Beneficial interest | 2,291,420 | 0.19% |
| Mr. Lo Chi Ho (who is also the chief executive officer) | Beneficial interest | 9,100,010 | 0.74% |

Note: Mr. Chan is the spouse of Ms. Cheung Mee Kuen, Amy ("Ms. Cheung") and is deemed to be interested in all the Shares in which Ms. Cheung is interested by virtue of the SFO.

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the Shares

| Name | Capacity and nature of interest | Number of Shares held | Approximate percentage of the issued Shares |
|--|---|------------------------------------|---|
| Quantsmile (BVI) Limited ("Quantsmile (BVI)") | Beneficial interests | 411,902,870 (note 1) | 33.49% |
| Eagle Business Consulting Limited ("Eagle Business Consulting") | Beneficial interests /Interest in a controlled corporation | 652,896,910 (note 1 and note 2) | 53.08% |
| Good Steward Foundation Limited ("Good Steward Foundation") | Interest in a controlled corporation | 652,896,910 (note 2 and note 3) | 53.08% |
| Financial Data Technologies Limited ("Financial Data Technologies") | Beneficial interests | 130,000,000 (note 4) | 10.57% |
| Mr. Nie Lehui | Interest in a controlled corporation | 130,000,000 (note 4) | 10.57% |
| Bank of Communications Trustee Ltd. | Trustee | 120,000,000 (note 5) | 9.76% |

Notes:

- (1) Quantsmile (BVI) is an investment holding company incorporated in the BVI and is held as to approximately 50.85% by Eagle Business Consulting, 23.73% by Supergrand and 25.42% jointly by Mr. Chan (our executive Director) and Ms. Cheung (the spouse of Mr. Chan). By virtue of the SFO, Eagle Business Consulting is deemed to be interested in the Shares held by Quantsmile (BVI) in the Company.
- (2) Eagle Business Consulting is an investment holding company incorporated in Hong Kong and is held as to approximately 95.19% by Good Steward Foundation, 4.76% by Ms. Cheung (the spouse of Mr. Chan) and 0.05% by Mr. Ng. By virtue of the SFO, Good Steward Foundation is deemed to be interested in the Shares held by Quantsmile (BVI), which held approximately 33.49% interests in the Company.
- (3) Good Steward Foundation is a charitable company incorporated in Hong Kong and holds approximately 95.19% interest in Eagle Business Consulting, which holds approximately 50.85% in Quantsmile (BVI), which in turn held approximately 33.49% interests in the Company. By virtue of the SFO, Good Steward Foundation is deemed to be interested in the Shares held by Eagle Business Consulting.
- (4) Financial Data Technologies, is beneficially wholly owned by Mr. Nie Lehui.
- (5) Bank of Communication Trustee Ltd is the trustee appointed by the Company in relation to the share award scheme adopted by the Company on 12 August 2019.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Scheme**”) pursuant to the resolutions passed by the Shareholders at an extraordinary general meeting held on 22 January 2019. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture partners, promoters, service providers of any member of the Group. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years after the date on which the Scheme is adopted.

The total number of securities available for issue under the Scheme is 123,000,000 ordinary Shares, being 10% of the issued Shares of the Company as at the date of this report. The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the ordinary Shares in issue at any time. The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of grant. A consideration of HK\$1.00 is payable on the acceptance of the offer of grant of an option. The exercise period of the share options granted is determinable and notified by the directors, but shall end not later than 10 years from the date on which the share option is deemed to be granted and accepted in accordance with the Scheme.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of offer of the share options which must be a Business Day; (ii) the average Stock Exchange closing price of the Shares for the five Business Days immediately preceding the date of offer; and (iii) the nominal value of the Shares on the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Details of the Scheme are set out in the paragraph headed “Share Option Scheme” in Appendix V to the Prospectus.

No share option has been granted since the adoption of the Scheme.

SHARE AWARD SCHEME

On 12 August 2019, the Company adopted a share award scheme (the “**Share Award Scheme**”). The objectives of the Share Award Scheme is to provide (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

For details of the Share Award Scheme, please refer to the announcements of the Company dated 12 August 2019, 20 August 2019, 3 October 2019 and 28 November 2019, respectively.

DIRECTORS' REPORT

The Company shall comply with the relevant GEM Listing Rules when granting the award shares. As at 31 December 2019, the trustee of the Share Award Scheme had purchased a total of 120,000,000 shares of the Company from the secondary market at a total consideration of about HK\$23,212,400 (excluding all related expenses, transaction levy, brokerage, tax, duties and levies). Since the date of adoption of the Share Award Scheme and up to 31 December 2019, no shares purchased under the Share Award Scheme have been awarded to any employee of the Company under the Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the sections headed "Directors' and chief executive's interests in shares, underlying shares and debentures" and "Share option scheme" above, at no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2019 are set out in note 36 to the consolidated financial statements.

The income arising from a related company, as described in note 36(a) to the consolidated financial statements, were management fees received from Winner Star Technology. Winner Star Technology was a related person of the Company as it was owned as to 49% by eBroker Systems, an indirect subsidiary of the Company, and 51% by Megahub Limited, an independent third party.

The other related party transaction constitutes connected transactions under the GEM Listing Rules upon Listing, details of which are disclosed in the paragraph headed "Continuing connected transactions" below.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, no related party transactions as disclosed in note 36 to the consolidated financial statements constituted a continuing connected transaction which should be disclosed pursuant to the GEM Listing Rules. The Company has complied with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

The continuing connected transactions of the Group during the year ended 31 December 2019 are as follows:

Tenancy agreement with Easy System Design Company Limited ("Easy System")

Easy System, a company incorporated in Hong Kong with limited liability, is wholly owned by eBroker Limited, which is in turn owned by Quantsmile (BVI), one of the Company's controlling shareholders, as to approximately 41.19%. Easy System is therefore an associate of Quantsmile (BVI) under Rule 20.11(3) of the GEM Listing Rules and accordingly, a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules.

On 18 August 2016, eBroker Systems (as tenant) and Easy System (as landlord) entered into a tenancy agreement (the "**Previous Tenancy Agreement**") for the leasing of a property located at Room 603 within offices B, C and D1 on the 6th Floor of China Insurance Group Building, No. 141 Des Voeux Road Central, No. 73 Connaught Road Central & Nos. 61 – 65 Gilman Street, Hong Kong (the "**Property**") for a term of three years from 1 January 2016 to 31 December 2018 (both days inclusive), and at a monthly rent of HK\$100,000 from 1 January 2016 to 31 May 2016 and HK\$135,000 from 1 June 2016 to 31 December 2018. On 5 November 2018, eBroker Systems and Easy System entered into a tenancy agreement (the "**New Tenancy Agreement**") to renew the leasing of the Property for a term of three years from 1 January 2019 to 31 December 2021 at a monthly rent of HK\$180,000.

The total rent paid by eBroker Systems to Easy System under the New Tenancy Agreement for the year ended 31 December 2019 amounted to HK\$2,160,000. The annual caps for the rental payable under the New Tenancy Agreement are HK\$2,160,000 and HK\$2,160,000 for the years ending 31 December 2020 and 2021.

Provision of financial software solutions and maintenance services to Beevest Securities Limited ("Beevest Securities")

Financial Data Technologies is the Company's substantial Shareholder and is a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules.

Beevest Securities, a company incorporated in Hong Kong with limited liability, was acquired by Beevest Capital Limited in August 2016 and became its direct wholly-owned subsidiary. As Beevest Capital Limited is directly wholly owned by Financial Data Technologies, Beevest Securities is an indirect wholly-owned subsidiary of Financial Data Technologies. Beevest Securities is therefore an associate of Financial Data Technologies under Rule 20.11(1) of the GEM Listing Rules upon Listing and accordingly, a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules.

On 22 January 2019, eBroker Systems entered into a master service agreement (the “**Master Service Agreement**”) with Beevest Securities for a term of three years commencing from the Listing Date and shall continue for the period ending on 31 December 2021, being the last day of the third financial year from the effective date. Pursuant to the Master Service Agreement, the Group would provide financial software solutions and maintenance services to Beevest Securities. For the year ended 31 December 2019, the aggregate amount received and receivable from Beevest Securities to the Group under the Master Service Agreement was approximately HK\$538,800. The annual caps for the service fees are HK\$2,200,000 and HK\$2,200,000, respectively, for each of the years ending 31 December 2020 and 2021.

During the year ended 31 December 2019, the actual amounts of all the continuing connected transactions paid under the agreements did not exceed the respective aggregate annual cap as previously disclosed in the Prospectus.

Confirmation of independent non-executive directors

Pursuant to Rule 20.53 of the GEM Listing Rules, the audit committee comprising three independent non-executive Directors, under the authority delegated by the Board, reviewed all the aforesaid continuing connected transactions.

All of the independent non-executive Directors confirmed that the continuing connected transactions were entered into in the ordinary and usual course of business of the Group, and on normal commercial terms or better and which are no less favourable than those terms available from independent third parties, and in accordance with the terms of the continuing connected transactions under the respective agreements which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RSM Hong Kong, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor's Letter on continuing connected transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

COMPETING INTEREST

During the year ended 31 December 2019 and up to the date of this report, none of the Directors or the Controlling Shareholders or their close associates (as defined in the GEM Listing Rules) are interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor did they have any conflicts of interest with the Group.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders, namely Quantsmile (BVI), Mr. Chan, Ms. Cheung, Eagle Business Consulting and Good Steward Foundation, entered into a deed of non-competition dated 22 January 2019 (the “**Deed of Non-Competition**”) in favour of the Company, under which each of the Controlling Shareholders, among other things, irrevocably and unconditionally, jointly and severally, warrants and undertakes to the Company (for itself and as trustee for each of its subsidiaries) on competition related matters. Details of the Deed of Non-Competition are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition Undertaking” in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the Controlling Shareholders, and on the basis of such confirmation, are of the view that the Controlling Shareholders have complied during the year ended 31 Decemebr 2019 that the undertakings under the Deed of Non-Competition.

DIRECTORS' REPORT

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated 19 December 2018, neither the compliance advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers and suppliers:

- Employees: The employees of the Group are its key assets and their dedication contribute to the successful business operations of the Group. The Group, therefore, strives to treat all of its employees with respect and equity, and create a safe and motivating workplace for its employees to work in. To realize fully its employees' potentials and ensure job satisfaction, the Group has organized various trainings for its employees to acquire new knowledge and skills, and to further develop their careers. By organizing different staff activities, the Group works to improve staff relationships and build up a sense of belonging, and to maintain a good work-life balance for its employees.
- Customers: The Group maintains ongoing communication with its customers through various channels such as presentation of ideas, calls, emails and meetings. The Group generates new business through its own marketing initiatives, referrals from existing clients and the IT professionals from the finance industry.
- Suppliers: Maintaining a reliable and sustainable service supply chain is the key to the success of the Group's services. The Group strives to maintain good partnership with its suppliers, and technical service providers. The Group has a comprehensive supplier selection and assessment process to select suitable suppliers for the business operations of the Group. This process ensures that the suppliers can meet the Group's requirements, and deliver quality products and services.

A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular those which have significant impact on the Group. The Board reviews and monitors the Group's policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

From the Listing Date and up to the date of this annual report, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Group has complied with the requirements under the GEM Listing Rules, SFO and the Companies Law. Details of the Company's compliance with the code provisions as set out in the CG Code are provided in the Corporate Governance Report of this annual report.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 21 to 27 of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 April 2020 to Tuesday, 5 May 2020 (both dates inclusive) for determining eligibility to attend and vote at the forthcoming annual general meeting. All transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., Monday, 27, April 2020.

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, Qianhai eBroker Information Technology (Shenzhen) Company Limited (前海易博信息技術(深圳)有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and the supplemental agreement with Shenzhen Yibokey Financial Engineering Systems Company Limited (深圳易博科金融工程系統有限公司), a company established in the PRC with limited liability (the "**Vendor**") in relation to the acquisition of an office premises located at Unit 32C and 32D, Block B, Honglong Century Plaza, 4002 Shennan East Road, Luohu District, Shenzhen, the PRC (深南東路4002號鴻隆世紀廣場B座32C、32D) (the "**Property**") (the "**Agreement**") for the establishment of a research and development centre in the PRC.

Pursuant to the Agreement, the Purchaser has agreed to purchase and the Vendor has agreed to sell the Property at the consideration of RMB13,000,000 (equivalent to approximately HK\$14,820,000).

For further details, please refer to the Company's announcements dated 22 January 2020 and 6 February 2020.

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe, which may affect our usual business operating environment. Pending development of this non-adjusting subsequent event, the Group's financial results may be affected, the extent of which could not be estimated as of the date of this report.

INDEPENDENT AUDITORS

The consolidated financial statements have been audited by RSM Hong Kong, who will retire and being eligible, offer themselves for re-appointment.

By order of the Board

Chan Lap Tak, Douglas

Chairman and Executive Director

Hong Kong, 24 March 2020

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report (“CG Report”) in the Group’s annual report for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules as the basis of the Company’s corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that since the Listing Date and up to 31 December 2019 (the “**Relevant Period**”), the Company has complied with all applicable code provisions as set out in the CG Code.

BOARD OF DIRECTORS

Board composition and responsibilities

Our Board consists of five Directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Chan Lap Tak, Douglas (*Chairman*)

Mr. Lo Chi Ho (*Chief Executive Officer*)

Independent Non-Executive Directors

Mr. Chan Chi Kwong Dickson

Mr. Liu Kin Sing

Mr. Au Yeung Po Fung

Details of background and qualifications of all Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

RESPONSIBILITIES OF THE BOARD

The Board oversees the overall management and administration of the business and operations of the Group. The Board is primarily responsible for overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director(s) and other person(s) as the Board thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.

Regular meetings of the Board will be held to deliberate the strategic policies of the Company including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results. Directors are also provided with access to independent professional advice in carrying out their obligations as Directors as and when required, at the expense of the Company.

Appointment and Re-election of Directors

Each executive Director has entered into a service contract with the Company for a term of three years and each independent non-executive Director has entered into a letter of appointment for a term of three years. Each Director is subject to retirement by rotation at least once every three years but is eligible for re-election at an annual general meeting in accordance with the Articles.

The Articles specify that any Directors appointed during the year to fill a casual vacancy are subject to re-election by Shareholders at the first general meeting after such appointments and any Directors 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.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Company has also taken out Directors' and Officers' liabilities insurance for such purposes with effect from the Listing.

Independent Non-executive Directors

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

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

Continuous Professional Development of Directors

During the year ended 31 December 2019, the Directors have participated in continuous professional development by attending a training session in respect of the roles and responsibilities of directors of a company listed on the GEM, as well as reading related materials. They also received from the Company from time to time updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company. Particulars of participation by the Directors are set out as follows:

| | Reading materials relevant to directors' roles and responsibilities | Attending training session relevant to directors' roles and responsibilities |
|--|--|---|
| Executive Directors | | |
| Mr. Chan Lap Tak, Douglas | ✓ | ✓ |
| Mr. Lo Chi Ho | ✓ | ✓ |
| Independent Non-Executive Directors | | |
| Mr. Chan Chi Kwong Dickson | ✓ | ✓ |
| Mr. Liu Kin Sing | ✓ | ✓ |
| Mr. Au Yeung Po Fung | ✓ | ✓ |

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During the Relevant Period, the Group has complied with the CG Code, Mr. Chan is currently performing the role of chairman and Mr. Lo as chief executive officer of the Company.

BOARD COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established, with written terms of reference, three Board committees, namely the audit committee, remuneration committee and nomination committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and they are posted on the websites of the Stock Exchange and the Company.

Audit Committee

The Company established an audit committee on 19 June 2018 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code have been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on appointment, reappointment and removal of the external auditor, review and supervise the financial reporting process and the financial controls, internal control and risk management systems of the Company.

The audit committee of the Company consists of three independent non-executive Directors, being Mr. Au Yeung Po Fung, Mr. Chan Chi Kwong Dickson and Mr. Liu Kin Sing. Mr. Au Yeung Po Fung is the chairman of the audit committee.

The Audit Committee held four meetings in the year ended 31 December 2019, to review, the interim, quarterly and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems, and continuing connected transactions.

CORPORATE GOVERNANCE REPORT

During the Relevant Period, the chairman of the Audit Committee also met the external auditors twice without the presence of the executive Directors.

Nomination Committee

The Company established a nomination committee on 19 June 2018. Written terms of reference in compliance with code provision A.5.2 of the CG Code have been adopted. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge, length of service and the breadth of expertise) of the Board and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive.

The nomination committee of the Company consists of one executive Director and two independent non-executive Directors, being Mr. Chan Lap Tak, Douglas, Mr. Chan Chi Kwong Dickson and Mr. Liu Kin Sing. Mr. Chan Lap Tak, Douglas is the chairman of the nomination committee.

The Board recognises the importance of its diversity in relation to its business, and adopted on 19 June 2018 a Board diversity policy (the "**Diversity Policy**"). As a summary of the Diversity Policy, selection of candidates has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. As an objective of the Group's diversity policy, the Board shall consist of at least one member with financial or accounting expertise. During the year ended 31 December 2019 the above objective has been achieved. All Board appointments will be based on meritocracy, and will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision of Board appointment will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee met once during the Relevant Period to review among other things, the independence of the independent non-executive Directors; consider the qualifications of the retiring directors standing for election at the 2018 annual general meeting; review the structure, size and composition of the Board and review the Board diversity policy adopted by the Company. In identifying and selecting suitable candidates for directorships, the nomination committee would consider various factors including the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. Having reviewed the composition of the Board, the nomination committee considered that there is an appropriate balance of Board diversity.

Remuneration Committee

The Company established a remuneration committee on 19 June 2018 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and code provision B.1.2 of the CG Code have been adopted. The primary duties of the remuneration committee are mainly to make recommendations to the Board on the remuneration policy and the structure relating to all Directors and senior management of the Group, review the remuneration packages of the Directors and senior management of the Group and ensure none of the Directors determine their own remuneration. No Director or any of his associates were involved in deciding his own remuneration.

The remuneration committee of the Company consists of three Directors, being Mr. Liu Kin Sing, Mr. Au Yeung Po Fung and Mr. Chan Lap Tak, Douglas. Mr. Liu Kin Sing is the chairman of the remuneration committee.

The Remuneration Committee met once during the Relevant Period to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2019 are as follows:

| | Number of employees |
|----------------------|----------------------------|
| Nil to HK\$1,000,000 | 3 |

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual reports.

During the Board meeting on 24 March 2020, the Board has reviewed the corporate governance measures of the Group and this corporate governance report.

Board meetings and attendance record of Directors

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

The attendance record of each Director at the Board meetings, committee meetings and annual general meeting held during the Relevant Period is set out in the table below:

| Name of Director | Attendance/Number of Meeting | | | | |
|----------------------------|------------------------------|----------------------|-----------------|------------------------|------------------------|
| | Board meeting | Nomination Committee | Audit Committee | Remuneration Committee | Annual General Meeting |
| Mr. Chan Lap Tak, Douglas | 6/6 | 1/1 | N/A | 1/1 | 1/1 |
| Mr. Lo Chi Ho | 6/6 | N/A | N/A | N/A | 1/1 |
| Mr. Liu Kin Sing | 6/6 | 1/1 | 4/4 | 1/1 | 1/1 |
| Mr. Au Yeung Po Fung | 6/6 | N/A | 4/4 | 1/1 | 1/1 |
| Mr. Chan Chi Kwong Dickson | 6/6 | 1/1 | 4/4 | N/A | 1/1 |

COMPANY SECRETARY

Mr. Liew Swee Yean ("**Mr. Liew**"), the Company's company secretary, has undertaken no less than 15 hours of relevant professional training to update his skills and knowledge in respect of the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Model Code was not applicable to the Company before the Listing Date. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Relevant Period.

During the year ended 31 December 2019, the Company is not aware of any incident of non-compliance of the Model Code by the Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2019 under applicable statutory and regulatory requirements, which give a true and fair view of the state of affairs, profit or loss and cash flow of the Group on a going concern basis.

Statements of Directors' responsibilities for preparing of the consolidated financial statements of the Group and external auditors' responsibilities for the audit of the consolidated financial statements are set out in the "Independent Auditor's Report" in this report.

AUDITOR'S REMUNERATION

The fees paid or payable to the external auditor of the Group, RSM Hong Kong, for the year ended 31 December 2019 are as follows:

| Services rendered | Fees paid/ payable HK\$ |
|--|--|
| Audit services | 800,000 |
| Non-audit services (mainly acting as the reporting accountant of the Company in relation to the Listing) | 850,000 |
| | 1,650,000 |

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems in order to safeguard the Group's assets and the Shareholders' interest and conducts a review on an annual basis. The main features of the risk management and internal control systems of the Group include the identification of risks, the assessment and evaluation of risks, the development and continuous updating of mitigation measures, and the ongoing review of internal control procedures to ensure their effectiveness in aspects of the Group's financial, operational, compliance controls and risk management functions.

The Group has also established organisational structure in such control systems, clearly defining the power and obligations of each department in the Group, in order to protect the Group's assets against improper use and ensure compliance with rules and regulations. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Process used to identify, evaluate and manage significant risks

The Group's risk management process involves the identification, evaluation, response, monitoring and reporting of risks. After risks that may potentially affect the Group's business and operations are identified by the management of the Company, the Board will perform risk assessment by prioritising risks identified to determine key risks exposed to the Group and discuss measures to mitigate such key risks. Besides, existing risk mitigation measures are subject to regular monitoring by the management of the Company, which will review the Group's risk management strategies, and report such results and make appropriate suggestions to the Board.

Risk Register

The risks identified are evaluated with a risk matrix which prioritises risks according to the likelihood of their occurrence and the significance of their impact on the achievement of the Group's business objectives. Following the review of the risk matrix, the Group selects and deploys the corresponding risk responses and investigates the mitigation procedures to be executed to ensure the identified significant risks were managed to an acceptable level.

Independent Assessment

To ensure the independent review of the effectiveness of the risk management and internal control systems, the Group engaged an independent external consulting firm as the Group's internal control adviser (the "Internal Control Adviser") to perform annual review and assessment of the risk management and internal control system of the Group covering the financial year ended 31 December 2019. The Group has carried out risk oriented internal control evaluation on financial reporting and disclosure control process, revenue and receivable process, and expenditure and payable.

Review of the Effectiveness

The management and the Audit Committee have reviewed the internal control evaluation report and have evaluated the effectiveness of the Group's risk management and internal control systems. The review covers all material controls, including financial, operational and compliance controls.

Handling and Dissemination of Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the GEM Listing Rules. The Group adopts and implements an information disclosure policy and procedures in order to protect inside information from unauthorised and inaccurate disclosure.

The Group has strictly prohibited unauthorised use of confidential or inside information. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Chairman of the Board and the financial controller to decide on the need for disclosure. The audit committee of the Board regularly review and assess the effectiveness of the information disclosure policy and procedures and propose recommendations to the Board.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the Shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and rules and regulations of the Stock Exchange, an annual general meeting of the Company is held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("**EGM**").

Right to Convene EGMs and Procedures

Pursuant to Article 58 of the Articles, the Board may, whenever it thinks fit, convene an EGM. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall 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. Such meeting shall be held within two months after the deposit of such requisition. The requisition must be deposited at the registered office or the head office of the Company.

If within 21 days of such deposit, the Board fails to proceed to convene such EGM, 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 requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: Room 603, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong (For the attention of the Board)

Fax: +852 2928 9008

Email: info@ebrokersystems.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company maintains a website at www.ebrokersystems.com as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands. Subject to provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the Listing, no amendments have been made to the constitutional documents of the Company.



TO THE SHAREHOLDERS OF eBROKER GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of eBroker Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 74, which comprise the consolidated statement of financial position as at 31 December 2019, and 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 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is "Impairment assessment of trade receivables" and how our audit addressed this key audit matter is set out below:

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p>Impairment assessment of trade receivables</p> <p>Refer to notes 5(e) and 23 to the consolidated financial statements.</p> <p>As at 31 December 2019, the carrying amount of trade receivables was approximately HK\$4,183,000 which represented 7.8% of the Group's net assets.</p> <p>The Group's trading terms with customers are due upon presentation of invoices. However, as the Group seeks to develop long-term relationship with its customers, it may allow an average credit period of 60 days to its customers; depending on the creditworthiness of customers and the existing relationship with the Group.</p> | <p>Our audit procedures in relation to assess the recoverability of trade receivables included the following:</p> <ul style="list-style-type: none"> – Assessing whether trade receivables had been appropriately grouped by management based on their shared credit risk characteristics; – Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; |

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p>Impairment assessment of trade receivables (cont'd)</p> <p>Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.</p> <p>We identified assessing the recoverability of trade receivable as key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.</p> | <ul style="list-style-type: none">– Testing the accuracy of the aging of trade receivables on a sample basis to supporting documents; and– Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables outstanding at the reporting date. |

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Wo Cheung.

RSM Hong Kong

Certified Public Accountants
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Note | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------|------------------|------------------|
| Revenue | 7 | 44,287 | 53,291 |
| Other income | 8 | 801 | 103 |
| Impairment losses on trade receivables | | (95) | (75) |
| Purchases of and changes in inventories | | (68) | (1,391) |
| Depreciation | 12 | (2,328) | (193) |
| Staff costs | 13 | (20,114) | (19,911) |
| Other operating expenses | | (20,511) | (28,455) |
| Profit from operations | | 1,972 | 3,369 |
| Finance costs | 10 | (253) | – |
| Profit before tax | | 1,719 | 3,369 |
| Income tax expense | 11 | (705) | (2,487) |
| Profit for the year attributable to owners of the Company | 12 | 1,014 | 882 |
| Other comprehensive income after tax: | 16 | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating financial statements of a foreign subsidiary | | 48 | – |
| Other comprehensive income for the year, net of tax | | 48 | – |
| Total comprehensive income for the year attributable to owners of the Company | | 1,062 | 882 |
| Earnings per share | 15 | | |
| – Basic (HK cent per share) | | 0.09 | 0.09 |
| – Diluted (HK cent per share) | | N/A | N/A |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

| | Note | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 17 | 249 | 367 |
| Right-of-use assets | 18 | 4,471 | – |
| Investment in a joint venture | 20 | 5 | 5 |
| | | 4,725 | 372 |
| Current assets | | | |
| Inventories | 21 | – | 51 |
| Contract assets | 22 | 785 | 204 |
| Trade and other receivables | 23 | 6,650 | 11,693 |
| Due from a joint venture | 24 | 31 | 97 |
| Pledged bank deposits | 25 | 5,000 | 5,000 |
| Cash and cash equivalents | 25 | 46,972 | 18,971 |
| | | 59,438 | 36,016 |
| Current liabilities | | | |
| Contract liabilities | 22 | 1,644 | 1,595 |
| Lease liabilities | 27 | 2,291 | – |
| Trade and other payables | 28 | 3,280 | 8,093 |
| Current tax liabilities | | 986 | 281 |
| | | 8,201 | 9,969 |
| Net current assets | | 51,237 | 26,047 |
| Total assets less current liabilities | | 55,962 | 26,419 |
| Non-current liabilities | | | |
| Lease liabilities | 27 | 2,281 | – |
| Deferred tax liabilities | 26 | 83 | 83 |
| | | 2,364 | 83 |
| NET ASSETS | | 53,598 | 26,336 |
| Capital and reserves | | | |
| Share capital | 29 | 1,230 | 1,000 |
| Reserves | | 52,368 | 25,336 |
| TOTAL EQUITY | | 53,598 | 26,336 |

Approved by the Board of Directors on 24 March 2020 and are signed on its behalf by:

Chan Lap Tak, Douglas
Director

Lo Chi Ho
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

| | Share capital | Share premium | Capital reserve | Foreign currency translation reserve | Shares held for share award scheme | Retained profits | Total equity |
|--|---------------|-----------------------------|------------------------------|--------------------------------------|------------------------------------|------------------|--------------|
| | HK\$'000 | (note 31(b)(i)) HK\$'000 | (note 31(b)(ii)) HK\$'000 | (note 31(b)(iii)) HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2018 | 1,000 | 12,651 | (54,333) | – | – | 66,136 | 25,454 |
| Total comprehensive income for the year | – | – | – | – | – | 882 | 882 |
| At 31 December 2018 and 1 January 2019 | 1,000 | 12,651 | (54,333) | – | – | 67,018 | 26,336 |
| Issue of ordinary shares | 230 | 64,170 | – | – | – | – | 64,400 |
| Capitalisation of listing expenses | – | (14,900) | – | – | – | – | (14,900) |
| Purchase of shares under share award scheme (note 32(b)) | – | – | – | – | (23,300) | – | (23,300) |
| Total comprehensive income for the year | – | – | – | 48 | – | 1,014 | 1,062 |
| Changes in equity for the year | 230 | 49,270 | – | 48 | (23,300) | 1,014 | 27,262 |
| At 31 December 2019 | 1,230 | 61,921 | (54,333) | 48 | (23,300) | 68,032 | 53,598 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 1,719 | 3,369 |
| Adjustments for: | | |
| Finance costs | 253 | – |
| Interest income | (674) | (18) |
| Depreciation of property, plant and equipment | 191 | 193 |
| Depreciation of right-of-use assets | 2,137 | – |
| Impairment losses on trade receivables | 95 | 75 |
| Inventories written off | 51 | – |
| Operating profit before working capital changes | 3,772 | 3,619 |
| Decrease/(increase) in trade and other receivables and contract assets | 4,367 | (4,538) |
| Decrease/(increase) in amount due from a joint venture | 66 | (3) |
| (Decrease)/increase in trade and other payables and contract liabilities | (4,764) | 2,814 |
| Cash generated from operations | 3,441 | 1,892 |
| Interest on lease liabilities | (253) | – |
| Hong Kong Profits Tax paid | – | (1,899) |
| Net cash generated from/(used in) operating activities | 3,188 | (7) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (73) | (78) |
| Interest received | 674 | 18 |
| Placement of pledged bank deposits | – | (5,000) |
| Net cash generated from/(used in) investing activities | 601 | (5,060) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from issue of shares | 49,500 | – |
| Principal elements of lease payments | (2,036) | – |
| Repurchase of shares held for share award scheme | (23,300) | – |
| Net cash generated from financing activities | 24,164 | – |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 27,953 | (5,067) |
| Effect of foreign exchange rate changes | 48 | – |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 18,971 | 24,038 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 46,972 | 18,971 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | 46,972 | 18,971 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

eBroker Group Limited (the “Company”) was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 23 May 2016. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 603, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 February 2019. The principal activity of the Company is investment holding. The principal activities of its subsidiaries (together with the Company collectively referred to as the “Group”) are set out in note 19 to the consolidated financial statements.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000) unless otherwise stated. Hong Kong dollars (“HK\$”) is the Company’s functional and the Group’s presentation currency.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). Significant accounting policies adopted by the Group are disclosed in note 4.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

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

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

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

(i) *New definition of a lease*

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

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

(ii) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 4.63% to 4.88%.

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

- elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of car park was determined on a portfolio basis;
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with termination options;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(ii) Lessee accounting and transitional impact (cont'd)

The following table reconciles the operating lease commitments as disclosed in note 35 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

| | HK\$'000 |
|--|----------|
| Operating lease commitments disclosed as at 31 December 2018 | 300 |
| Less: commitments relating to lease exempt from capitalisation | |
| – Short-term leases with remaining lease term ending on or before 31 December 2019 | (89) |
| Add: lease payments for the additional periods where the Group considers it reasonably certain that it will not exercise the termination options | 6,331 |
| | 6,542 |
| Less: total future interest expenses | (440) |
| Lease liabilities recognised as at 1 January 2019 | 6,102 |
| Of which are: | |
| Current lease liabilities | 1,950 |
| Non-current lease liabilities | 4,152 |
| | 6,102 |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("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.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16 | Effects on adoption of HKFRS 16 | | Carrying amount as at 1 January 2019 HK\$'000 |
|---|--|-----------------------------------|--|
| | Carrying amount as at 31 December 2018 HK\$'000 | Recognition of leases HK\$'000 | |
| Assets | | | |
| Right-of-use assets | – | 6,102 | 6,102 |
| Liabilities | | | |
| Lease liabilities | – | 6,102 | 6,102 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(iii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 33(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 33(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

| | 2019 | | | 2018 | |
|---|--|---|--|--|--|
| | Amounts reported under HKFRS 16 HK\$'000 | Add back: HKFRS 16 depreciation and interest expense HK\$'000 | Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1) HK\$'000 | Hypothetical amounts for 2019 as if under HKAS 17 HK\$'000 | Compared to amounts reported for 2018 under HKAS 17 HK\$'000 |
| Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16: | | | | | |
| Profit from operations | 1,972 | 2,137 | (2,289) | 1,820 | 3,369 |
| Finance costs | (253) | 253 | - | - | - |
| Profit before tax | 1,719 | 2,390 | (2,289) | 1,820 | 3,369 |
| Profit for the year attributable to owners of the Company | 1,014 | 2,390 | (2,289) | 1,115 | 882 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(iii) Impact of the financial results and cash flows of the Group (cont'd)

| | Amounts reported under HKFRS 16 HK\$'000 | 2019 Estimated amounts related to operating leases as if under HKAS 17 (note 1) HK\$'000 | Hypothetical amounts for 2019 as if under HKAS 17 HK\$'000 | 2018 Compared to amounts reported for 2018 under HKAS 17 HK\$'000 |
|---|---|---|---|---|
| Line items in the consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of HKFRS 16: | | | | |
| Cash generated from operations | 3,441 | (2,289) | 1,152 | 1,892 |
| Interest on lease liabilities | (253) | 253 | - | - |
| Net cash generated from/(used in) operating activities | 3,188 | (2,036) | 1,152 | (7) |
| Principal elements of lease | (2,036) | 2,036 | - | - |
| Net cash generated from financing activities | 24,164 | 2,036 | 26,200 | - |

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|---|--|
| Amendments to HKFRS 3 Definition of a Business | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8 Definition of Material | 1 January 2020 |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform | 1 January 2020 |

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

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Joint arrangements (cont'd)

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|------------------------|-----|
| Computer software | 10% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Computer equipment | 20% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

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

Policy applicable from 1 January 2019

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

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.

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

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

In the comparative period, leases that did not substantially transfer to the Group all the risks and rewards of ownership of assets were accounted for as operating leases. Lease payments (net of any incentives received from the lessor) were recognised as an expense on a straight-line basis over the lease term.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods included value of purchases, and where appropriate, freight, insurance and delivery charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(g) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(t) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Contract for services

A contract with a customer of installation and customisation services is classified by the Group as a contract for services when the Group's performance relates to work on installation and customisation services 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 or enhance an assets under the customer's control.

When the outcome of an installation and customisation services contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

The Group becomes entitled to invoice customers for rendering of installation and customisation services based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the payment is always less than one year.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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 Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets

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 marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are recognised in the profit or loss.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial liabilities and equity instruments (cont'd)

(iii) Equity instruments

Ordinary shares

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

Shares held for share award scheme

Where shares are acquired by the trustee for the share award scheme (the "Share Award Scheme") from the market or by electing for scrip in lieu of cash dividends, the total consideration of shares acquired from the market (including any directly attributable incremental costs) or under the scrip dividend scheme is presented as shares held for Share Award Scheme and deducted from total equity.

Upon vesting, the related costs of the vested awarded shares purchased from the market and shares acquired under the scrip dividend scheme (dividend shares) are credited to shares held for Share Award Scheme, with a corresponding decrease in employee share-based compensation reserve for awarded shares, and decrease in retained earnings for dividend shares.

(n) Revenue recognition and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Revenue from provision of services

Revenue is recognised when or as the control of services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of services may be transferred over time or at a point in time. Control of the services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer control as the Group performs; or
- 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.

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of the value of individual service transferred by the Group to customer, by reference to the cost incurred to dated of each individual project.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Services fee income from solution services on front office and back office systems, managed cloud services and other related services are recognised as a performance obligation satisfied over time when the related services are rendered.

The Group provides installation and customisation services to its customers through contracts with customers. Services revenue are recognised as a performance obligation satisfied over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue recognition and other income (cont'd)

- (i) Revenue from provision of services (cont'd)
Management fee income is recognised as a performance obligation satisfied over time when the services are rendered.
- (ii) Revenue from the sales of hardware and software products are recognised when control of the goods has been transferred which generally coincides with the time when the goods are delivered and the title has passed to the customers. Following delivery, the customer has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.
- (iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

- (i) *Employee leave entitlements*
Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.
Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.
- (ii) *Pension obligations*
The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.
Subsidiaries incorporated in the People's Republic of China ("PRC") participate in the retirement schemes operated by the local authorities for the Group's employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.
- (iii) *Termination benefits*
Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payment

- (i) *Share option scheme*
The Group issues equity-settled share-based payments to certain directors, employees, substantial shareholders of the Company and other eligible person subject to be approved by the independent non-executive directors.
Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Share-based payment (cont'd)

(ii) Share award scheme

The Group operates the Share Award Scheme, which is an equity-settled share-based compensation plan under which awarded shares are granted to employees of the Group selected by the board of directors (including the executive director).

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the awarded shares granted, taking into account all non-vesting conditions associated with the grants on grant date. The total expense is recognised on a straight-line basis over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to an employee share-based compensation reserve under equity.

For those awarded shares which are amortised over the vesting periods, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to the employee share-based compensation reserve.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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 and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of reporting entity.

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Impairment of financial assets and contract assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- 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 for a particular financial instrument;
- 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;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Impairment of financial assets and contract assets (cont'd)

Significant increase in credit risk (cont'd)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

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:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty’s financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, 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. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Impairment of financial assets and contract assets (cont'd)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2019 were approximately HK\$249,000 (2018: HK\$367,000) and HK\$4,471,000 (2018: HK\$ Nil) respectively.

(b) Impairment loss on investment in a subsidiary

The Company evaluates annually whether impairment loss should be recognised for its investment in a subsidiary. This evaluation requires use of estimates. Where the actual result is different from the original estimate, such difference will impact the carrying amount of the investment in a subsidiary in the year in which such estimate has been changed.

As at 31 December 2019, no impairment loss on investment in a subsidiary was required. (2018: HK\$ Nil)

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, approximately HK\$705,000 (2018: HK\$2,487,000) of income tax was charged to profit or loss based on the estimated profit from operations.

(d) Revenue and profit recognition

As explained in policy note 4(h) and 4(n) revenue from provision of installation and customisation services are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 22 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

During the year, approximately HK\$3,586,000 (2018: HK\$6,409,000) of revenue from installation and customisation services was recognised.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

(e) Impairment of trade receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of trade receivables and contract assets is approximately HK\$4,183,000 (net of allowance for doubtful debts of approximately HK\$96,000) and HK\$785,000 respectively (2018: HK\$5,608,000 (net of allowance for doubtful debts of approximately HK\$75,000) and HK\$204,000 respectively).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, Renminbi ("RMB") and United States dollars ("US\$") and the functional currencies of the Group entities. The HK\$ is currently closely aligned to the US\$. The Group does not expect any significant movement in the HK\$/US\$ exchange rate.

At 31 December 2019, if the HK\$ had weakened 10 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$346,000 (2018: HK\$Nil) higher, arising mainly as a result of the net foreign exchange gain on bank balances and trade and other payables denominated in RMB. If the HK\$ had strengthened 10 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$346,000 (2018: HK\$Nil) lower, arising mainly as a result of the net foreign exchange loss on bank balances and trade and other payables denominated in RMB.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions and amount due from a joint venture. Management has a credit policy in place and the exposure to these credit risks are monetised on an ongoing basis.

The Group has no significant concentrations of credit risk.

The credit risk on cash and cash equivalent is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies for which the Group considers to have low credit risk.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

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6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

The Group measures loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables and contract assets, as at 31 December 2019:

| | 2019 | | |
|--------------------|----------------------|--------------------------------|-------------------------|
| | Expected loss rate % | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 |
| Not past due | 0.00% | 785 | – |
| 0-30 days | 0.48% | 1,954 | 9 |
| 31-60 days | 0.78% | 817 | 6 |
| 61-90 days | 1.73% | 103 | 2 |
| 91-120 days | 3.45% | 405 | 14 |
| More than 120 days | 6.50% | 1,000 | 65 |
| | | 5,064 | 96 |
| | 2018 | | |
| | Expected loss rate % | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 |
| Not past due | 0.00% | 204 | – |
| 0-30 days | 0.24% | 2,382 | 6 |
| 31-60 days | 0.36% | 1,047 | 4 |
| 61-90 days | 0.82% | 169 | 1 |
| 91-120 days | 1.88% | 718 | 14 |
| More than 120 days | 3.69% | 1,367 | 50 |
| | | 5,887 | 75 |

Expected loss rates are based on actual loss experience over the past four years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Movement in the loss allowance for trade receivables and contract assets during the year is as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| At 1 January | 75 | – |
| Impairment losses recognised for the year | 95 | 75 |
| Amounts written off during the year | (74) | – |
| At 31 December | 96 | 75 |

Other receivables and amount due from a joint venture

The management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from a joint venture. The Group has assessed that the ECL for other receivables and amount due from a joint venture are not material under the 12-month expected credit losses method. Thus no loss allowance was recognised during the year (2018: HK\$Nil).

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

| | On demand HK\$'000 | Less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 | Total HK\$'000 |
|----------------------------|--------------------------|---------------------------------|---|---|-----------------------------|-------------------|
| At 31 December 2019 | | | | | | |
| Trade and other payables | – | 3,280 | – | – | – | 3,280 |
| Lease liabilities | – | 2,453 | 2,330 | – | – | 4,783 |
| | – | 5,733 | 2,330 | – | – | 8,063 |
| At 31 December 2018 | | | | | | |
| Trade and other payables | – | 8,093 | – | – | – | 8,093 |
| Financial guarantee | 13,878 | – | – | – | – | 13,878 |
| | 13,878 | 8,093 | – | – | – | 21,971 |

The amounts included above for a financial guarantee contract as at 31 December 2018 were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparty to the guarantee. The financial guarantee was released on 11 February 2019.

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition. The Group does not have significant exposure on interest rate risk. Except as stated above, the Group has no other interest-bearing assets and liabilities as at the end of the reporting period, its income and operating cash flows are substantially independent of changes in variable interest rates.

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For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Categories of financial instruments of the Group as at 31 December

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Financial assets: | | |
| Financial assets measured at amortised cost | 57,590 | 30,112 |
| Financial liabilities: | | |
| Financial liabilities at amortised cost | 3,280 | 8,093 |

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Front office solution service income | 23,907 | 28,235 |
| Back office solution service income | 11,664 | 12,295 |
| Installation and customisation service income | 3,586 | 6,409 |
| Managed cloud service income | 3,324 | 3,074 |
| Others | 1,806 | 3,278 |
| | 44,287 | 53,291 |

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product items and geographical regions:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| <i>Products and services transferred at a point in time</i> | | |
| Others | 33 | 1,795 |
| <i>Products and services transferred over time</i> | | |
| Front office solution service income | 23,907 | 28,235 |
| Back office solution service income | 11,664 | 12,295 |
| Installation and customisation service income | 3,586 | 6,409 |
| Managed cloud service income | 3,324 | 3,074 |
| Others | 1,773 | 1,483 |
| Total | 44,287 | 53,291 |
| <i>Primary geographical markets</i> | | |
| Hong Kong | 42,299 | 53,291 |
| Macau | 1,988 | - |
| | 44,287 | 53,291 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. OTHER INCOME

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Interest income on bank deposits | 674 | 18 |
| Management fees from a joint venture | 127 | 85 |
| | 801 | 103 |

9. SEGMENT INFORMATION

During the year, all of the Group's contract revenue has been generated from the sale of computer products, provision of contracted trading solutions and development of electronics trading systems for brokerage.

The Group has one reportable segment which is the provision of services to the Group's customers. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and assessment of the Group's performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis or information about the Group's services is presented.

The following table sets out information about the geographical location of the Group's revenue from external customers during the year. The geographical location of customers is based on the location of which the services were provided or the goods delivered:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|-----------|------------------|------------------|
| Hong Kong | 42,299 | 53,291 |
| Macau | 1,988 | – |
| | 44,287 | 53,291 |

All the non-current assets of the Group are located in Hong Kong as at 31 December 2019 (2018: Hong Kong).

During the year, no individual customer contributes over 10% of the total revenue of the Group.

10. FINANCE COSTS

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Interest expenses on lease liabilities (note 18) | 253 | – |
| | 253 | – |

11. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 744 | 2,572 |
| Over-provision in prior years | (39) | (85) |
| | 705 | 2,487 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. INCOME TAX EXPENSE (CONT'D)

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax rate for the subsidiary in the PRC is 25%. However, no provision was made for the financial year ended 31 December 2019 as the subsidiary incurred tax loss in the year.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable rates is as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Profit before tax | 1,719 | 3,369 |
| Tax at the domestic income tax rate of 16.5% | 284 | 556 |
| Income tax on concessionary rate (note 11(a)) | (165) | (165) |
| Tax effect of expenses that are not deductible | 535 | 2,169 |
| Tax effect of income that is not taxable | (123) | (3) |
| Tax effect of temporary differences not recognised | 15 | 15 |
| Tax effect of unused tax losses not recognised | 301 | – |
| Effect of different tax rates of a subsidiary | (103) | – |
| Over-provision in prior years | (39) | (85) |
| Income tax expense | 705 | 2,487 |

Note:

- (a) For the year of assessment 2019/2020, a two-tiered profits tax rates was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK\$2,000,000.

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Auditor's remuneration | 800 | 590 |
| Cost of inventories sold | 68 | 1,391 |
| Depreciation on property, plant and equipment | 191 | 193 |
| Depreciation on right-of-use assets | 2,137 | – |
| Impairment losses on trade receivables | 95 | 75 |
| Inventories written off (include in purchases of and changes in inventories) | 51 | – |
| Listing expenses | 1,835 | 12,920 |
| Operating lease charges on land and buildings | – | 2,019 |

13. SALARIES AND EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Salaries, bonuses and allowances (including directors' emoluments) | 19,513 | 19,447 |
| Retirement benefit scheme contributions (note 13(a)) | 601 | 464 |
| | 20,114 | 19,911 |

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For the year ended 31 December 2019

13. SALARIES AND EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (CONT'D)

(a) Retirement benefit scheme contributions

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

(b) The remuneration of each director is as follows:

| Name of director | Fees HK\$'000 | Salaries, bonuses and allowances HK\$'000 | Retirement benefit scheme HK\$'000 | Total HK\$'000 |
|--|------------------|---|---|-------------------|
| For the year ended 31 December 2019 | | | | |
| <i>Executive directors</i> | | | | |
| Mr. Chan Lap Tak, Douglas | – | 1,613 | 18 | 1,631 |
| Mr. Lo Chi Ho | – | 1,488 | 18 | 1,506 |
| <i>Independent non-executive directors</i> | | | | |
| Mr. Chan Chi Kwong Dickson (note 13(b)(i)) | 155 | – | – | 155 |
| Mr. Liu Kin Sing (note 13(b)(i)) | 155 | – | – | 155 |
| Mr. Au Yeung Po Fung (note 13(b)(i)) | 155 | – | – | 155 |
| Total for 2019 | 465 | 3,101 | 36 | 3,602 |
| For the year ended 31 December 2018 | | | | |
| <i>Executive directors</i> | | | | |
| Mr. Chan Lap Tak, Douglas | – | 1,633 | 18 | 1,651 |
| Mr. Lo Chi Ho | – | 1,592 | 18 | 1,610 |
| <i>Independent non-executive directors</i> | | | | |
| Mr. Chan Chi Kwong Dickson (note 13(b)(i)) | – | – | – | – |
| Mr. Liu Kin Sing (note 13(b)(i)) | – | – | – | – |
| Mr. Au Yeung Po Fung (note 13(b)(i)) | – | – | – | – |
| Total for 2018 | – | 3,225 | 36 | 3,261 |

No director waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

Note:

- (i) Appointed on 19 June 2018.

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13. SALARIES AND EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (CONT'D)

(c) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2018: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2018: three) highest paid individuals are set out below:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Basic salaries, bonus and allowances | 4,089 | 4,242 |
| Retirement benefit scheme contributions | 54 | 53 |
| | 4,143 | 4,295 |

The emoluments of the remaining individuals with highest emoluments fell within the following bands:

| | 2019 | 2018 |
|--------------------------------|------|------|
| Nil to HK\$1,000,000 | 1 | – |
| HK\$1,000,001 to HK\$1,500,000 | – | 1 |
| HK\$1,500,001 to HK\$2,000,000 | 2 | 2 |

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2019 and 2018.

(d) Directors' material interests in transactions, arrangements or contracts

During the year, the Group entered into the following transactions with the following companies in which the directors have beneficial interest.

| Name | Nature | 2019 HK\$'000 | 2018 HK\$'000 |
|---|--|------------------|------------------|
| T G Securities Limited ("TG") | Service income received | 1,503 | 2,761 |
| Winner Star Technology Limited ("Winner Star") | Management fee received | 127 | 85 |
| 深圳易博科金融工程系統有限公司 Shenzhen Yiboke Financial Engineering Systems Company Limited ("Shenzhen Yiboke") | Technical support services fee paid | 2,264 | 2,683 |
| | Rental expenses paid | 178 | – |
| Brilliant Technology Limited ("Brilliant") | Technical support services fee paid | 6,336 | 5,943 |
| Easy System Design Company Limited ("Easy System") | Rental expenses paid | 2,160 | 1,620 |

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13. SALARIES AND EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (CONT'D)

(d) Directors' material interests in transactions, arrangements or contracts (cont'd)

Mr. Chan Lap Tak, Douglas is interested in the aforesaid transactions to the extent that he is a beneficial shareholder of TG, Easy System, Shenzhen YiboKe, Winner Star and Brilliant. Mr. Lo Chi Ho is interested in the aforesaid transactions to the extent that he is a beneficial shareholder of Easy System and beneficial shareholder and director of Winner Star. Mr. Chan and Mr. Lo are beneficial shareholders of Winner Star because (i) Mr. Chan and Mr. Lo have direct or indirect shareholding on the Company and (ii) eBroker Systems Limited ("eBroker Systems") which is an indirect wholly-owned subsidiary of the Company, holds 49% equity interest in Winner Star.

Save for the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDENDS

No dividend had been paid or declared by the Company during the year ended 31 December 2019 (2018: HK\$ Nil).

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Earnings | | |
| Profit attributable to owners of the Company | 1,014 | 882 |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 1,171,090 | 1,000,000 |

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic earnings per share has been adjusted for the share subdivision on 22 January 2019.

The weighted average number of ordinary shares in issue during the year ended 31 December 2019 for the purpose of basis earnings per share has been adjusted to exclude the shares held for share award scheme adopted during the year.

No diluted earnings per share is calculated for the years ended 31 December 2019 and 2018 as there was no potential diluted ordinary share in existence.

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16. OTHER COMPREHENSIVE INCOME

Tax effects relating to the item of other comprehensive income for the year:

| | 2019 | | | 2018 | | |
|--|-------------------------------------|-----------------|------------------------------------|-------------------------------------|-----------------|------------------------------------|
| | Amount Before tax HK\$'000 | Tax HK\$'000 | Amount After tax HK\$'000 | Amount Before tax HK\$'000 | Tax HK\$'000 | Amount After tax HK\$'000 |
| Exchange differences on translating financial statements of a foreign subsidiary | 48 | – | 48 | – | – | – |

17. PROPERTY, PLANT AND EQUIPMENT

| | Computer software HK\$'000 | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Computer equipment HK\$'000 | Total HK\$'000 |
|---|----------------------------------|---------------------------------------|---------------------------------|-----------------------------------|-------------------|
| Cost | | | | | |
| At 1 January 2018 | 17,000 | 998 | 950 | 4,543 | 23,491 |
| Additions | – | – | – | 78 | 78 |
| At 31 December 2018 and 1 January 2019 | 17,000 | 998 | 950 | 4,621 | 23,569 |
| Additions | – | – | – | 73 | 73 |
| At 31 December 2019 | 17,000 | 998 | 950 | 4,694 | 23,642 |
| Accumulated depreciation | | | | | |
| At 1 January 2018 | 17,000 | 998 | 950 | 4,061 | 23,009 |
| Charge for the year | – | – | – | 193 | 193 |
| At 31 December 2018 and 1 January 2019 | 17,000 | 998 | 950 | 4,254 | 23,202 |
| Charge for the year | – | – | – | 191 | 191 |
| At 31 December 2019 | 17,000 | 998 | 950 | 4,445 | 23,393 |
| Carrying amount | | | | | |
| At 31 December 2019 | – | – | – | 249 | 249 |
| At 31 December 2018 | – | – | – | 367 | 367 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. RIGHT-OF-USE ASSETS

| | Leased office HK\$'000 | Leased car parks HK\$'000 | Leased rack space HK\$'000 | Total HK\$'000 |
|----------------------------|---------------------------|------------------------------|-------------------------------|-------------------|
| At 1 January 2019 (note 3) | 6,042 | 60 | – | 6,102 |
| Additions | – | 66 | 440 | 506 |
| Depreciation | (2,014) | (50) | (73) | (2,137) |
| At 31 December 2019 | 4,028 | 76 | 367 | 4,471 |

As at 31 December 2019, the lease agreements do not impose any covenants and leased assets are not used as security for borrowing purposes.

| | 2019 HK\$'000 |
|--|------------------|
| Depreciation expenses on right-of-use assets | 2,137 |
| Interest expense on lease liabilities (included in finance costs) | 253 |
| Expenses relating to short-term lease (included in other operating expenses) | 374 |

Details of total cash outflow for leases is set out in note 33(b).

For both years, the Group leases an office, various car parks, and rack spaces of data centres for its operations. Lease contracts are entered into for fixed term of six months to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2019 are as follows:

| Name | Place of incorporation/ registration and operation | Issued and paid up capital | Percentage of ownership interest/voting power/profit sharing | | Principal activities |
|---|--|--|--|----------|---|
| | | | Direct | Indirect | |
| eBrokerSys (BVI) Limited ("eBroker (BVI)") | British Virgin Islands | 2 ordinary shares of US\$2 | 100% | – | Investment holding |
| eBroker Systems | Hong Kong | 5,913,488,372 ordinary shares of HK\$48,631,819 | – | 100% | Investment holding, selling of computer products, provision of automated trading solutions and development of the electronics trading systems for the brokerage |
| eBroker Systems (HK) Limited | Hong Kong | 300,000 ordinary shares of HK\$300,000 | – | 100% | Investment holding and provision of electronics trading systems for the brokerage and computer maintenance services |
| 前海易博信息 (深圳)有限公司 (「前海易博」) | The PRC | Registered capital of RMB10,000,000 and paid up share capital of RMB3,000,000 | – | 100% | Inactive |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. INVESTMENT IN A JOINT VENTURE

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Unlisted investment: Share of net assets | 5 | 5 |

Details of the Group's joint venture as at 31 December 2019 are as follows:

| Name | Place of incorporation | Issued and paid up capital | Percentage of ownership interest/profit sharing | Principal activities |
|-------------|------------------------|--------------------------------------|---|--------------------------|
| Winner Star | Hong Kong | 10,000 ordinary shares of HK\$10,000 | 49% | Provision of market data |

21. INVENTORIES

As at 31 December 2018, all of the Group's inventories represented finished goods.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Contract assets related to provision of services | 785 | 204 |
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" | 4,183 | 5,608 |

Amounts relating to contract assets are balance due from customers under contracts that arise when the Group receives payment from customers in line with a series of performance related milestones.

Payment for services is not due from the customer until the services are completed and therefore a contract asset is recognised over the period in which the services are performed to represent the entity's right to consideration for the services transferred to date. Contract assets increased in 2019 was primarily due to the increase in work completed but not billed as at 31 December 2019.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is approximately HK\$8,000, mainly due to the changes in estimate of the stage of completion of certain installation and customisation contracts.

The amount of contract assets that is expected to be recovered after more than one year is HK\$Nil (2018: HK\$Nil).

(b) Contract liabilities

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Contract liabilities related to provision of services | 1,644 | 1,595 |

Contract liabilities relating to services are balances due to customers under the services contracts for which advanced consideration was received from customers. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT'D)

(b) Contract liabilities (cont'd)

There were no significant change in the contract liabilities balance during the reporting period.

Movements in contract liabilities:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---|------------------|------------------|
| Balance at 1 January | 1,595 | – |
| Reclassification from trade and other payables | – | 1,950 |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year | (1,085) | (1,552) |
| Increase in contract liabilities as a result of billing in advance of installation and customisation services | 1,134 | 1,197 |
| Balance at 31 December | 1,644 | 1,595 |

The amount of billings in advance of performance received that is expected to be recognised as income after more than one year is approximately HK\$Nil (2018: HK\$253,000).

23. TRADE AND OTHER RECEIVABLES

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Trade receivables* | 4,279 | 5,683 |
| Impairment losses on trade receivables | (96) | (75) |
| | 4,183 | 5,608 |
| Prepayments, deposits and other receivables# | 2,467 | 6,085 |
| | 6,650 | 11,693 |

* Included in the trade receivables as at 31 December 2019 is approximately HK\$Nil (2018: HK\$340,000) of trade receivables due from a company in which Mr Chan Lap Tak Douglas has beneficial interests.

Included in the deposits as at 31 December 2019 is approximately HK\$360,000 (2018: HK\$270,000) of rental deposits paid to a company in which Mr Chan Lap Tak Douglas and Mr. Lo Chi Ho have beneficial interests.

The Group's trading terms with customers are due upon presentation of invoices. However, as the Group seeks to develop long-term relationship with its customers, it may allow an average credit period of 60 days to its customers, depending on the creditworthiness of customers and the existing relationships with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance is as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|----------------|------------------|------------------|
| 0 to 30 days | 1,945 | 2,376 |
| 31 to 60 days | 811 | 1,043 |
| 61 to 90 days | 101 | 168 |
| 91 to 120 days | 391 | 704 |
| Over 120 days | 935 | 1,317 |
| | 4,183 | 5,608 |

The carrying amounts of the trade receivables are denominated in HK\$.

The carrying amounts of the prepayments, deposits and other receivables are denominated in the following currencies:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|------|------------------|------------------|
| HK\$ | 2,256 | 6,085 |
| RMB | 211 | – |
| | 2,467 | 6,085 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. DUE FROM A JOINT VENTURE

| Name | As at 31 December 2019 HK\$'000 | As at 1 January 2019 HK\$'000 | Maximum amount outstanding during the year HK\$'000 |
|-------------|--|--|--|
| Winner Star | 31 | 97 | 121 |

The amount due is unsecured, interest-free and repayable on demand. The amount due is trade nature and denominated in HK\$.

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---------------------------|------------------|------------------|
| Cash on hand | 2 | —** |
| Cash at bank | 46,970 | 18,971 |
| Cash and cash equivalents | 46,972 | 18,971 |
| Pledged bank deposits | 5,000 | 5,000 |
| | 51,972 | 23,971 |

At 31 December 2019, the Group's pledged bank deposits represented deposits pledged to a bank to secure overdraft facilities granted to the Group to the extent of HK\$5,000,000 (2018: HK\$5,000,000). The pledged bank deposits are interest bearing at fixed rate of 0.45% (2018: 0.45%) per annum and denominated in HK\$.

At 31 December 2019, the Group had available undrawn secured and unsecured banking facilities of approximately HK\$5,000,000 (2018: HK\$5,000,000) and HK\$241,000 (2018: HK\$253,000) respectively.

The cash and cash equivalents of the Group are denominated in the following currencies:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|------|------------------|------------------|
| HK\$ | 40,620 | 18,607 |
| US\$ | —** | 364 |
| RMB | 6,352 | — |
| | 46,972 | 18,971 |

** Represents amount less than HK\$1,000.

As at 31 December 2019, the bank and cash balances of the Group's subsidiary in the PRC denominated in RMB amounted to approximately HK\$1,964,000 (2018: HK\$Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group:

| | Accelerated tax depreciation HK\$'000 |
|--|---|
| At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 | 83 |

At the end of the reporting period the Group has unused tax losses of approximately RMB1,081,000 (equivalent to HK\$1,205,000) (2018: HK\$Nil) available for offset against future profits that will expire within five years. No deferred tax assets in respect of tax losses carried forward has been recognised due to the unpredictability of the future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. LEASE LIABILITIES

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|------------------|---|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Within one year | 2,453 | – | 2,291 | – |
| In the second to fifth years, inclusive | 2,330 | – | 2,281 | – |
| | 4,783 | – | 4,572 | – |
| Less: Future finance charges | (211) | – | – | – |
| Present value of lease obligations | 4,572 | – | 4,572 | – |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (2,291) | – |
| Amount due for settlement after 12 months | | | 2,281 | – |

All lease liabilities are denominated in HK\$.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

28. TRADE AND OTHER PAYABLES

| | 2019 HK\$'000 | 2018 HK\$'000 |
|-----------------------------|------------------|------------------|
| Trade payables | 465 | 297 |
| Accruals and other payables | 2,815 | 7,796 |
| | 3,280 | 8,093 |

The ageing analysis of trade payables based on the date of receipt of goods or services, is as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|---------------|------------------|------------------|
| 0 to 30 days | 142 | 162 |
| 31 to 60 days | 163 | 62 |
| 61 to 90 days | 35 | 37 |
| Over 90 days | 125 | 36 |
| | 465 | 297 |

The carrying amounts of the Group's trade payables are denominated in the following currencies:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|------|------------------|------------------|
| RMB | 216 | 150 |
| HK\$ | 174 | 147 |
| US\$ | 75 | – |
| | 465 | 297 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

29. SHARE CAPITAL

The Group

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. At 31 December 2019, the ratio of the Group's total liabilities over its total assets was 16.5% (2018: 27.6%). The decrease in the ratio during 2019 resulted primarily from increase of cash and cash equivalents.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The externally imposed capital requirements for the Group is that, in order to maintain its listing on the GEM of the Stock Exchange, it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2019, approximately 26.59% (2018: Nil) of the shares were in public hands.

The Group is not subject to any externally imposed capital requirements during the year ended 31 December 2018.

The Company

| | Nominal value per share HK\$ | Number of shares '000 | Amount HK\$'000 |
|---|------------------------------------|-----------------------------|--------------------|
| Authorised: | | | |
| Ordinary shares | | | |
| At 1 January 2018 | 0.01 | 100,000 | 1,000 |
| Increase in authorised capital (note 29(i)) | 0.01 | 400,000 | 4,000 |
| At 31 December 2018 and 1 January 2019 | | 500,000 | 5,000 |
| Share subdivision (note 29(ii)) | – | 4,500,000 | – |
| At 31 December 2019 | 0.001 | 5,000,000 | 5,000 |
| Issued and fully paid: | | | |
| Ordinary shares | | | |
| At 1 January 2018, 31 December 2018 and 1 January 2019 | 0.01 | 100,000 | 1,000 |
| Share subdivision (note 29(ii)) | – | 900,000 | – |
| Issue of ordinary shares (note 29(iii)) | 0.001 | 230,000 | 230 |
| At 31 December 2019 (note 29(iv)) | 0.001 | 1,230,000 | 1,230 |

Note:

- (i) On 19 June 2018, the authorised share capital of the Company was increased from HK\$1,000,000 divided into 100,000,000 shares of HK\$0.01 each to HK\$5,000,000 divided into 500,000,000 shares of HK\$0.01 each by the creation of additional 400,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.
- (ii) Pursuant to a resolution passed by the shareholders of the Company at an extraordinary general meeting on 22 January 2019, each of the issued and unissued shares of HK\$0.01 each in the share capital of the Company was subdivided into 10 shares of HK\$0.001 each such that the authorised share capital of the Company became HK\$5,000,000 divided into 5,000,000,000 shares, of which 1,000,000,000 shares were in issue, fully paid or credited as fully paid.
- (iii) On 19 February 2019, the Company has successfully listed on the GEM of the Stock Exchange. In connection with the completion of the listing, the Company issued a total of 230,000,000 ordinary shares at a price of HK\$0.28 per share for a total proceeds (before related fees and expenses) of approximately HK\$64,400,000 from which approximately HK\$64,170,000 was credited to the Company's share premium account.
- (iv) During the year ended 31 December 2019, total number of shares included 120,000,000 shares were purchased and held by the trustee under Share Award Scheme from the market. Detail are set out in note 32(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

| | Note | 2019 HK\$'000 | 2018 HK\$'000 |
|-----------------------------|-------|------------------|------------------|
| Non-current assets | | | |
| Investment in a subsidiary | | 13,651 | 13,651 |
| Current assets | | | |
| Other receivables | | 701 | – |
| Bank and cash balances | | 42,163 | – |
| | | 42,864 | – |
| Current liabilities | | | |
| Accruals and other payables | | 17 | – |
| Due to subsidiaries | | 16,130 | – |
| Tax payable | | 13 | – |
| | | 16,160 | – |
| Net current assets | | 26,704 | – |
| NET ASSETS | | 40,355 | 13,651 |
| Capital and reserves | | | |
| Share capital | | 1,230 | 1,000 |
| Reserves | 30(b) | 39,125 | 12,651 |
| TOTAL EQUITY | | 40,355 | 13,651 |

Approved by the Board of Directors on 24 March 2020 and are signed on its behalf by:

Chan Lap Tak, Douglas
Director

Lo Chi Ho
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONT'D)

(b) Reserve movement of the Company

| | Share premium (note 31(b)(i)) HK\$'000 | Shares held for share award scheme HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|--|---|---------------------------------|-------------------|
| At 1 January 2018, 31 December 2018 and 1 January 2019 | 12,651 | – | – | 12,651 |
| Issue of ordinary shares | 64,170 | – | – | 64,170 |
| Capitalisation of listing expenses | (14,900) | – | – | (14,900) |
| Purchase of shares under share award scheme | – | (23,300) | – | (23,300) |
| Total comprehensive income for the year | – | – | 504 | 504 |
| At 31 December 2019 | 61,921 | (23,300) | 504 | 39,125 |

31. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Capital reserve

The capital reserve arose as a result of the followings:

- A. As a result of group reorganisations implemented in 2013 and 2016, the capital reserve represented the difference between the nominal value of share capital of the Company and the paid-up capital of eBroker (BVI) pursuant to the group reorganisations.
- B. As part of the group reorganisation in 2016, the Group transferred Easy System to the then ultimate holding company of the Group before completion of the group reorganisation and recorded a deemed distribution of approximately HK\$13,240,000 in the capital reserve.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

32. SHARE-BASED PAYMENTS

(a) Share option scheme

The Company has adopted a share option scheme (the "Scheme") pursuant to a resolution passed by the shareholders of the Company at an extraordinary general meeting on 22 January 2019. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years after the date on which the Scheme is adopted.

The total number of securities available for issue under the Scheme is 123,000,000 ordinary shares, being 10% of the issued shares of the Company as at the reporting date. The maximum number of share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the ordinary shares in issue at any time. The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of grant. A consideration of HK\$1.00 is payable on the acceptance of the offer of grant of an option. The exercise period of the share options granted is determinable and notified by the directors, but shall end not later than 10 years from the date on which the share option is deemed to be granted and accepted in accordance with the Scheme.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares on the date of the offer.

No share option has been granted since the adoption of the Scheme.

(b) Share award scheme

On 12 August 2019 (the "Adoption Date"), the Company adopted the Share Award Scheme. The objectives of the Share Award Scheme is to provide (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the board of directors pursuant to the rules of the Share Award Scheme (the "Scheme Rules"), the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The Share Award Scheme is subject to the administration of the board of directors and a trustee in accordance with the Scheme Rules and a trust deed.

The board of directors may, from time to time, at its absolute discretion select any eligible person (other than any excluded person) for participation in the Share Award Scheme as a selected person (the "Selected Person"), and grant such number of share awarded shares to any Selected Person at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

The maximum number of shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The board of directors shall not make any further award of share awarded shares which will result in the number of the shares awarded by the board of directors under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the respective share awarded shares held by the trustee on behalf of a Selected Person pursuant to the provision of the scheme rules shall vest in such Selected Person in accordance with the vesting schedule (if any) and the trustee shall cause the share awarded shares to be transferred to such Selected Person on the vesting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. SHARE-BASED PAYMENTS (CONT'D)

(b) Share award scheme (cont'd)

For details of the Scheme Award Scheme are set out in the Company's announcements dated 12 August 2019, 20 August 2019, 3 October 2019 and 28 November 2019.

As at 31 December 2019, the trustee of the Share Award Scheme had purchased a total of 120,000,000 shares of the Company from the market at a total consideration of approximately HK\$23,300,000. No shares were granted to any employees pursuant to the Share Award Scheme during the year ended 31 December 2019. At the end of the reporting period, there are 120,000,000 shares held by the trustee.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

| | 1 January 2019 HK\$'000 | Impact on initial application of HKFRS16 (note 3) HK\$'000 | Restated balance at 1 January 2019 HK\$'000 | Additions HK\$'000 | Cash flows HK\$'000 | Interest expenses HK\$'000 | 31 December 2019 HK\$'000 | 31 December 2018 HK\$'000 |
|--------------------------------|-------------------------------|---|---|-----------------------|------------------------|----------------------------------|------------------------------------|------------------------------------|
| Lease liabilities (note 27) | - | 6,102 | 6,102 | 506 | (2,289) | 253 | 4,572 | - |
| | - | 6,102 | 6,102 | 506 | (2,289) | 253 | 4,572 | - |

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|-----------------------------|------------------|------------------|
| Within operating cash flows | 627 | 2,019 |
| Within financing cash flows | 2,036 | - |
| | 2,663 | 2,019 |

These amounts relate to the following:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|-------------------|------------------|------------------|
| Lease rental paid | 2,663 | 2,019 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34. CONTINGENT LIABILITIES

During the year ended 31 December 2016, the Company issued a letter of corporate guarantee in favor of a bank to the extent of HK\$74,500,000 for the banking facilities granted to Easy System. The directors of the Company considered that the fair value of the corporate guarantee provided by the Company was insignificant. At 31 December 2018, the maximum liability of the Group under the guarantee was the outstanding balance of the bank loan due by Easy System at that date of approximately HK\$13,878,000. The corporate guarantee was subsequently released on 11 February 2019.

As at 31 December 2019, the Group did not have any significant contingent liabilities.

35. OPERATING LEASE ARRANGEMENTS

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases were payable as follows:

| | 2018 HK\$'000 |
|-----------------|------------------|
| Within one year | 300 |

- (a) Operating lease payments represented rentals payable by the Group for its office, car parks and rack spaces at data centres. Leases were negotiated for term ranged from 2 to 3 years and rentals were fixed over the lease terms and did not include contingent rentals.
- (b) The Group regularly entered into a short-term lease for its office premises in the PRC. As at 31 December 2019, the outstanding lease commitments relating to office premises in the PRC is approximately HK\$357,000.

36. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| (i) Management fee received from a joint venture | 127 | 85 |
| (ii) Rental expenses paid to a related party | 2,160 | 1,620 |

The related party transactions were carried out at terms mutually negotiated between the Group and the respective related parties.

- (b) At 31 December 2018, eBroker Systems provided corporate guarantee to a bank for banking facilities to the extent of HK\$74,500,000 granted to Easy System. The corporate guarantee was released on 11 February 2019. Details of the guarantee are set out in note 34.
- (c) Transactions with key management personnel.

All key management personnel are directors of the Company, their remuneration are disclosed in note 13.

37. EVENTS AFTER THE REPORTING PERIOD

- (a) On 22 January 2020, 前海易博 entered into a sale and purchase agreement and a supplemental agreement with Shenzhen Yiboke in relation to an acquisition of a property located at Shenzhen with a consideration of RMB13,000,000 (equivalent to approximately HK\$14,820,000).

At the date of these financial statements, the acquisition of the property has not yet completed. Details are set out in the Company's announcement of 22 January 2020.

- (b) After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The usual business environment and the performance of the Group may be affected. However, the Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these consolidated financial statements are authorised for issue.

Save as disclosed above, no other significant events took place subsequent to 31 December 2019 and up to the date of this report.

FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in the note below:

RESULTS

| | Year ended 31 December | | | |
|--|------------------------|------------------|------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Continuing operations | | | | |
| Revenue | 44,287 | 53,291 | 48,665 | 47,874 |
| Profit before tax | 1,719 | 3,369 | 12,104 | 9,604 |
| Income tax expense | (705) | (2,487) | (2,227) | (2,961) |
| Profit for the year from continuing operations | 1,014 | 882 | 9,877 | 6,643 |
| Discontinued operation | | | | |
| Profit for the year from discontinued operation | – | – | – | 146 |
| Profit and total comprehensive income for the year attributable to owners of the Company | 1,062 | 882 | 9,877 | 6,789 |
| ASSETS AND LIABILITIES | | | | |
| Non-current assets | 4,725 | 372 | 487 | 475 |
| Current assets | 59,438 | 36,016 | 32,204 | 22,385 |
| Non-current liabilities | (2,364) | (83) | (83) | (83) |
| Current liabilities | (8,201) | (9,969) | (7,154) | (7,200) |
| Net assets | 53,598 | 26,336 | 25,454 | 15,577 |
| Equity attributable to owners of the Company: | | | | |
| Paid-in capital | 1,230 | 1,000 | 1,000 | 1,000 |
| Reserves | 52,368 | 25,336 | 24,454 | 14,577 |
| Total equity | 53,598 | 26,336 | 25,454 | 15,577 |

Note: The financial information for the years ended 31 December 2016 and 2017 were extracted from the Prospectus. Such financial information was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in the Prospectus of the Company.

No consolidated financial statements of the Group for the year ended 31 December 2015 have been published.

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions have the following meaning:

| | |
|------------------------------|--|
| “Articles” | The articles of association of the Company, as amended, supplemented or otherwise modified from time to time |
| “Auditors” | RSM Hong Kong |
| “Board” | The board of Directors |
| “Business Day” | Has the meaning ascribed to it under the GEM Listing Rules |
| “China” or “PRC” | The People’s Republic of China and, except where the context requires otherwise and only for the purposes of this annual report, references to China or the PRC exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Company” | eBroker Group Limited (電子交易集團有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands on 23 May 2016 |
| “Companies Law” | The Companies Law (As revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |
| “Companies Ordinance” | The Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Controlling Shareholder(s)” | Has the meaning ascribed to it under the GEM Listing Rules |
| “CG Code” | Corporate Governance Code and Corporate Governance Report set out in Appendix 15 of the GEM Listing Rules |
| “Director(s)” | The director(s) of the Company |
| “GEM Listing Rules” | The Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time as the context may require |
| “Group” | The Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at that time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” or “HK” | The Hong Kong Special Administrative Region of the PRC |
| “Listing” | The listing of the Shares on GEM on the Stock Exchange on 19 February 2019 |
| “Listing Date” | 19 February 2019, the date on which the Shares were listed on GEM of the Stock Exchange |
| “Model Code” | A code of conduct adopted by the Company regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules effective from the Listing Date |
| “Prospectus” | The prospectus of the Company published on 30 January 2019 in connection with the Listing |
| “Renminbi” | The lawful currency of the PRC |
| “SFC” | The Securities and Futures Commission of Hong Kong |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

| | |
|-----------------------------|---|
| “Share(s)” | Ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | Holder(s) of the Shares |
| “Share Option Scheme” | The share option scheme of the Company adopted by the Shareholders on 22 January 2019 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Two-factor Authentication” | a security mechanism which requires the adoption of any two of the following authentication factors for accessing a database, operating system, or platform: (1) “what a client knows”; (2) “what a client has”; and (3) “who a client is |
| “United States” | United States of America |
| “%” | Per cent |