RaffAello-Astrum
Financial Holdings Limited

(formerly known as Astrum Financial Holdings Limited
阿仕特朗金融控股有限公司)

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8333

ANNUAL REPORT 2021

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 annual report, for which the directors (the "**Directors**") of RaffAello-Astrum Financial Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual 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 annual report misleading.*

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Tsang Kin Hung *(Vice-chairman)*
(appointment effective on 30 September 2021)
Mr. Kwan Chun Yee Hidulf
Ms. Yu Hoi Ling
(appointment effective on 25 October 2021)

Independent Non-executive Directors

Mr. Sum Loong
Mr. Lau Hon Kee
Ms. Yue Chung Sze Joyce
(appointment effective on 24 September 2021)
Mr. Lee Tak Cheung Vincent
(resignation effective on 24 September 2021)

AUDIT COMMITTEE

Mr. Lau Hon Kee *(Chairman)*
Mr. Sum Loong
Ms. Yue Chung Sze Joyce

REMUNERATION COMMITTEE

Mr. Sum Loong *(Chairman)*
Mr. Pan Chik
Mr. Kwan Chun Yee Hidulf
Mr. Lau Hon Kee
Ms. Yue Chung Sze Joyce

NOMINATION COMMITTEE

Mr. Pan Chik *(Chairman)*
Mr. Kwan Chun Yee Hidulf
Mr. Sum Loong
Mr. Lau Hon Kee
Ms. Yue Chung Sze Joyce

COMPLIANCE OFFICER

Mr. Kwan Chun Yee Hidulf

COMPANY SECRETARY

Mr. Lam Wing Tai
(appointment effective on 1 December 2021)
Mr. Mak Yat Tang Anthony
(resignation effective on 1 December 2021)

AUTHORISED REPRESENTATIVES

Mr. Pan Chik
Mr. Kwan Chun Yee Hidulf

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

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

LEGAL ADVISER

Lawrence Chan & Co.

COMPANY WEBSITE

www.astrum-capital.com/raffaello-astrum/

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to all shareholders the annual report of RaffAello-Astrum Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

In the financial year 2021, the Hong Kong financial market has been troubled by uncertainties such as the coronavirus pandemic (the "**COVID-19**") and its evolving variants, developments in the China-US relations and geopolitical tensions, supply bottlenecks and higher-than-anticipated inflation. These uncertainties have impacted the overall performance of the Hong Kong stock market with the Hang Seng Index falling by approximately 14.1% by the end of 2021.

2021 was a challenging year for the Group. The Group's performance was vulnerable to various external factors including the domestic and global economic environment and the development of COVID-19. The drop in number of initial public offering in Hong Kong and the bearish stock market sentiment particularly hurt the performance of the Group with placing and underwriting commission income plunged by approximately HK$30.9 million. Revenue from different businesses including corporate finance advisory services, asset management services and interest income from securities and initial public offering ("**IPO**") financing also recorded a decline of approximately HK$4.3 million.

With an aim of reaching out for collaboration with other market players, in September 2021, the Group completed the acquisition of 25% of the issued share capital of RS (BVI) Holdings Limited ("**RS (BVI)**") for the consideration of HK$32,853,000, which was satisfied by way of allotment and issue of an aggregate of 233,000,000 consideration shares at HK$0.141 per consideration share (the "**Acquisition**"). Through the Acquisition, we believed that the Group could leverage on the IPO project partnership arrangement between the subsidiary of RS (BVI) (namely, RaffAello Securities (HK) Limited ("**RSL**")) and the fellow subsidiary of RS (BVI) (namely, RaffAello Capital Limited ("**RCL**")) to further expand the IPO placing and underwriting business carried on by the Group through potential placing and underwriting opportunities offered by RSL and RCL. Unfortunately, the business pipeline of RSL were also impacted by the unfavorable operating environment and the profitability of RSL was not satisfactory as expected. As a result, impairment loss on investment in an associate of approximately HK$14.7 million and a gain on fair value change of the Put and Repurchase Option (as defined in the paragraph headed "MATERIAL ACQUISITIONS OR DISPOSALS" under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" in this annual report) of approximately HK$23.8 million were recognised for the year ended 31 December 2021.

Therefore, the Group recorded a loss and total comprehensive expense of approximately HK$8.9 million for the year ended 31 December 2021 as compared to approximately HK$2.1 million for the year ended 31 December 2020.

CHAIRMAN'S STATEMENT

Looking ahead to 2022, with the implementation of the "vaccine pass", the rising vaccination rate in Hong Kong, the tightening of social distancing measures and the anti-pandemic efforts from various parties in the society, it is expected that the pandemic will soon come under control. To cope with the forthcoming challenges, the Group will review and adjust business strategies on regular basis with a prudent and balanced risk management approach. The Group will primarily focus on placing and underwriting services and corporate finance advisory services, while brokerage services and securities and IPO financing services will continue to serve as complementary services to other business of the Group. We will keep reviewing the working capital level on an ongoing basis in order to achieve our objective and at the same time, be mindful of the regulatory reporting and compliance requirements. We will continue to keep abreast of the latest development of the Hong Kong financial market and the update on the regulatory requirements applicable to licensed corporations in Hong Kong. We are also committed to reaching out to the community and fulfilling social responsibilities.

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

PAN CHIK
Chairman and Chief Executive Officer

Hong Kong, 25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Hong Kong securities market was volatile in 2021. The Hang Seng Index dropped by approximately 14.1% from last year end to approximately 23,398 as at 31 December 2021 and slumped by approximately 24.7% from its peak of approximately 31,085 on 17 February 2021. The uncertain development of the COVID-19 pandemic and its evolving new variants have continued to introduce unprecedented challenges to the recovery of the financial market. Amid the deteriorating financial market and the challenging business environment, the Hong Kong IPO market was dealt with a severe blow, resulting in a drop of global ranking in terms of total proceeds from the second in 2020 to the fourth in 2021. In 2021, the number of newly listed companies decreased by approximately 36.4% to 98 and the fund raising size decreased by approximately 17.2% to approximately HK$331.3 billion. The following sets out the market statistics in relation to the business of the Group:

	2020	**2021**	Change
Average daily turnover of Hong Kong securities market	HK$129.5 billion	**HK$166.7 billion**	+28.7%
Hang Seng Index (as at the date of year-end)	27,231	**23,398**	-14.1%
Initial public offering (“**IPO**”)			
– Number of newly listed companies (including the number of transfer of listing from GEM to Main Board)	154	**98**	-36.4%
– Total fund raised	HK$400.1 billion	**HK$331.3 billion**	-17.2%
Placing			
– Number of transactions	275	**351**	+27.6%
– Total fund raised	HK$290.7 billion	**HK$355.7 billion**	+22.4%
Rights issue and open offers			
– Number of transactions	45	**58**	+28.9%
– Total fund raised	HK$23.3 billion	**HK$13.3 billion**	-42.9%

Source: Website of the Stock Exchange

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Brokerage services

For the year ended 31 December 2021 (the "**Year**"), the Group continued to provide its brokerage services for eligible stocks listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the Hang Seng Index Futures and Options, the Hang Seng China Enterprises Index Futures and Options and the Hang Seng TECH Index Futures and Options.

As at 31 December 2021, the Group had 249 active customers (2020: 242), among which, the ten largest active customers contributed to approximately 48.5% (2020: approximately 46.3%) of the commission income from brokerage services.

Placing and underwriting services

During the Year, the Group completed 7 placing and underwriting engagements (2020: 12 engagements). Revenue derived from placing services amounted to approximately HK$1.4 million during the Year (2020: approximately HK$1.9 million) while no revenue were derived from underwriting services during the Year (2020: approximately HK$30.4 million).

Corporate finance advisory services

The Group was engaged in 13 corporate finance advisory engagements during the Year (2020: 16 engagements), among which, 5 financial advisory engagements contributed to a total revenue of approximately HK$0.6 million and 8 independent financial advisory engagements contributed to a total revenue of approximately HK$1.2 million.

Financing services

During the Year, interest income from securities and IPO financing amounted to approximately HK$4.6 million (2020: approximately HK$7.6 million), representing a decrease of approximately 39.5%. Such decrease was attributable to the weak demand from client for securities and IPO financing services. To cater for occasional needs of funding for the financing services, the Group maintained stagging facilities for IPO loan from a bank during the Year.

Asset management services

During the Year, the Group had been acting as the investment manager of Astrum Absolute Return China Fund (the "**Astrum China Fund**"). As at 31 December 2021, the asset under management of the Astrum China Fund was approximately US$8.2 million (2020: approximately US$9.3 million) and the net asset value per share was approximately US$1,263 (2020: approximately US$1,425).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key financial data

	For the year ended/ As at 31 December 2020 HK$'000	**For the year ended/ As at 31 December 2021 HK$'000**	Approximate percentage change
Results of operation			
Revenue	47,848	**12,911**	–73.0%
Loss before tax	(1,971)	**(8,428)**	+327.6%
Loss and total comprehensive expense for the year attributable to owners of the Company	(2,121)	**(8,873)**	+318.3%
Financial position			
Current assets	274,861	**288,720**	+5.0%
Current liabilities	(109,155)	**(115,743)**	+6.0%
Net current assets	165,706	**172,977**	+4.4%
Total equity	173,423	**216,353**	+24.8%
Key financial ratios			
Net profit margin	N/A	**N/A**	
Current ratio	2.5	**2.5**	
Gearing ratio	–	**–**	
Net debt to equity ratio	Net cash position	**Net cash position**	
Return on assets	N/A	**N/A**	
Return on equity	N/A	**N/A**	

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue

Total revenue of the Group for the Year was approximately HK$12.9 million as compared to approximately HK$47.8 million for the year ended 31 December 2020 (the "**Corresponding Year**"), representing a decrease of approximately 73.0%. Such decrease was mainly attributable to the significant decrease in commission income from placing and underwriting services.

Commission from brokerage services increased by approximately 13.3% from approximately HK$3.0 million for the Corresponding Year to approximately HK$3.4 million for the Year.

Revenue derived from placing and underwriting services decreased by approximately 95.7% from approximately HK$32.3 million for the Corresponding Year to approximately HK$1.4 million for the Year. Such decrease was due to the lack of IPO underwriting services during the Year. The commission income derived from IPO underwriting services, especially for those led by Astrum Capital Management Limited ("**Astrum Capital**") (an indirect wholly-owned subsidiary of the Group), are generally more sizable.

Corporate finance advisory services fee decreased by approximately 33.3% from approximately HK$2.7 million for the Corresponding Year to approximately HK$1.8 million for the Year. Such decrease was due to the decrease in the average advisory fee of the corporate finance advisory engagements charged by the Group during the Year.

Interest income from securities and IPO financing decreased by approximately 39.5% from approximately HK$7.6 million for the Corresponding Year to approximately HK$4.6 million for the Year. Such decrease was due to the weak demand from client for securities and IPO financing services.

Asset management fee decreased by approximately 26.1% from approximately HK$2.3 million for the Corresponding Year to approximately HK$1.7 million for the Year. During the Year, the Group recognised a management fee of approximately HK$1.4 million (Corresponding Year: approximately HK$1.4 million) and charged performance fee of approximately HK$0.3 million (Corresponding Year: approximately HK$0.9 million) as the net asset value per share of the Astrum China Fund surpassed the high water mark achieved in 2020.

Other income

During the Year, other income amounted to approximately HK$1.9 million, representing a decrease of approximately 26.9% as compared to approximately HK$2.6 million for the Corresponding Year. Such decrease was mainly due to the absence of government subsidies from the Employment Support Scheme and the Subsidy Scheme for the Securities Industry under the Anti-epidemic Fund of the Hong Kong Government during the Year (Corresponding Year: approximately HK$1.3 million), which was partially offset by (i) the increase in handling fee income of approximately HK$0.6 million; and (ii) the interest income earned from unlisted debt securities of approximately HK$0.4 million during the Year (Corresponding Year: Nil).

FINANCIAL REVIEW (Continued)

Fair value changes on financial assets at fair value through profit or loss ("FVTPL")

The Company has invested a certain portion of the idle cash in high quality industry leaders listed on the Stock Exchange and an unlisted investment fund.

During the Year, the Group recorded a net gain arising from fair value changes on financial assets at FVTPL of approximately HK$23.1 million (Corresponding Year: approximately HK$0.5 million), including (a) fair value loss of securities and fund investments of approximately HK$0.7 million (Corresponding Year: net gain of approximately HK$0.5 million); and (b) fair value gain of Put and Repurchase Option (as defined in the paragraph headed "MATERIAL ACQUISITIONS OR DISPOSALS" below) of approximately HK$23.8 million (Corresponding Year: Nil).

The fair value loss of securities and fund investments comprised unrealised loss of approximately HK$1.0 million and realised gain of approximately HK$0.3 million. The aforesaid unrealised loss are non-cash in nature and will not have any impact on the cash flows of the Group. In light of volatility in the Hong Kong and global financial markets and economic conditions, the Group will continue to adopt a conservative approach in managing the investment portfolio.

The fair value gain of Put and Repurchase Option of approximately HK$23.8 million was determined based on the appraisal of an independent external valuer. Such fair value gain is a non-cash and extraordinary item and will not have any material impact on the Group's cash flows and daily operation of business.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 39.9% from approximately HK$50.1 million for the Corresponding Year to approximately HK$30.1 million for the Year. Such decrease was due to the absence of commission expenses in respect of placing and underwriting services for the Year (Corresponding Year: approximately HK$24.4 million).

Impairment loss on investment in an associate

The Group has engaged an independent external valuer to assess the recoverable amount of investment in an associate as at 31 December 2021. Due to the delay in progress of project pipeline of RaffAello Securities (HK) Limited ("**RSL**") and deterioration of its business affected by the impact of COVID-19 pandemic, the assessed recoverable amount of investment in an associate is significantly lower than its carrying amount as at 31 December 2021, which resulted in the recognition of impairment loss on investment in an associate of approximately HK$14.7 million for the Year. Such impairment loss on investment in an associate is a non-cash and extraordinary item and will not have any material impact on the Group's cash flows and daily operation of business.

Details of the impairment assessment of investment in an associate are set out in Note 17 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Finance costs

The finance costs of the Group decreased by approximately 46.4% from approximately HK$2.8 million for the Corresponding Year to approximately HK$1.5 million for the Year. The finance costs for the Year were mainly derived from the utilisation of IPO loan borrowed from a bank.

Loss for the Year

As a result of the foregoing, loss of approximately HK$8.9 million for the Year was recorded as compared to approximately HK$2.1 million for the Corresponding Year.

BUSINESS UPDATE

In order to seize the opportunities in non-bank financing sector in Hong Kong and diversify the income stream of the Group, Power Gate Capital Limited ("**Power Gate**"), an indirect wholly-owned subsidiary of the Company, has successfully obtained a money lenders license pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in December 2021. It is the intention of the Group that Power Gate will focus on acquisition financing which provides secured loan financing or loan facilities to the intending borrowers for acquisition of shares of listed companies and/or making general offer under the Codes on Takeovers and Mergers and Share Buy-backs (the "**Codes**"), which in turn complements the corporate finance advisory service carrying out by Astrum Capital in respect of general offer under the Codes.

As at the date of this annual report, Power Gate has not yet commenced its business.

PROSPECTS

Entering 2022, despite the rollout of vaccination programs around the globe, with the evolving variants of the COVID-19 pandemic, rising energy prices and supply chain disruptions, coupled with higher-than-anticipated inflation, it is expected that the recovery of the global economy will be slower than expected. The International Monetary Fund (the "**IMF**") forecasts that global growth will moderate to 4.4% for 2022 as compared to 5.9% in 2021, incorporating the anticipated effects of mobility restrictions, border closures, and health impacts from the spread of the Omicron variant.

The Hong Kong economy achieved an annual growth of 6.4% in 2021, which reversed the recession recorded in the previous two consecutive years. The IMF Staff Mission expressed compliment on Hong Kong's economic achievement last year, bolstering her position as an international financial hub. Nonetheless, future uncertainties such as the infectious variants of the pandemic, developments in China-US relations and geopolitical tensions and the downside risks of the global economic outlook should not be overlooked.

PROSPECTS (Continued)

Under the unprecedented challenges imposed by COVID-19, the cautious market sentiment is expected to continue casting a shadow on the Hong Kong stock market and bringing a ripple effect to the financial market, which stands in the way of the full recovery of the economy. In this uphill battle, the Group would review and adjust business strategies on regular basis with a prudent and balanced risk management approach, with an aim of striving for sustained income and balanced growth.

Subsequent to 31 December 2021 and up to the date of this annual report, the Group completed 1 corporate finance advisory engagement, and had 1 corporate finance advisory engagement in progress.

EMPLOYEE INFORMATION

As at 31 December 2021, the Group had 30 employees (2020: 27 employees) and 6 account executives (2020: 6 account executives). Total staff costs (including directors' remuneration) for the Year were approximately HK$17.7 million (Corresponding Year: approximately HK$17.0 million).

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

A share option scheme was adopted by the Company on 23 June 2016. During the Year, the Group granted share options to certain Directors and employees. Details of which please refer to the paragraph headed "SHARE OPTION SCHEME" under the section headed "REPORT OF THE DIRECTORS" of this annual report.

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 2 February 2021 (after trading hours), the Company entered into a placing agreement (the "**Placing Agreement**") with Astrum Capital (an indirect wholly-owned subsidiary of the Company, the "**Placing Agent**"), pursuant to which the Company appointed the Placing Agent to place, on a best efforts basis, a maximum of 160,000,000 shares (the "**Placing Shares**") to not less than six independent placees (the "**Placees**") at a price of HK$0.083 per Placing Share (the "**Placing**"). The Board considers that the Placing represents a good opportunity for the Company to raise additional funds and to widen the Company's shareholder base.

On 24 February 2021, the condition set out in the Placing Agreement has been fulfilled. An aggregate of 160,000,000 Placing Shares have been successfully placed by the Placing Agent to not less than six independent Placees at the Placing Price of HK$0.083 per Placing Share. The aggregate nominal value of the Placing Shares was HK$1.6 million. The gross and net proceeds (after deducting the placing commission and other related expenses of the Placing) from the Placing were approximately HK$13.28 million and approximately HK$12.90 million, respectively. The net placing price was approximately HK$0.081 per Placing Share. The Company intended to apply all the net proceeds from the Placing for enhancing the Group's capital resources for its financing services including securities and IPO financing. For further details of the Placing, please refer to the announcements of the Company dated 2 February 2021 and 24 February 2021.

As at 31 December 2021, the net proceeds from the Placing was fully utilised as intended.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2021,

(i) the total assets of the Group amounted to approximately HK$333.3 million (2020: approximately HK$282.6 million). The increase in total assets of the Group was mainly attributable to (i) the acquisition of investment in an associate by way of allotment and issue of 233,000,000 shares of the Company; and (ii) the fair value of the Put and Repurchase Option (as defined in the paragraph headed "MATERIAL ACQUISITIONS OR DISPOSALS" below) of approximately HK$24.3 million;

(ii) the total equity attributable to owners of the Company amounted to approximately HK$216.4 million (2020: approximately HK$173.4 million). The increase in total equity attributable to owners of the Company was mainly due to (i) issue of shares upon acquisition of an associate of approximately HK$37.3 million; and (ii) issue of shares under placing of approximately HK$13.3 million, which was partially offset by the loss attributable to owners of the Company of approximately HK$8.9 million recorded for the Year;

(iii) the net current assets of the Group amounted to approximately HK$173.0 million, (2020: approximately HK$165.7 million) representing an increase of approximately 4.4% and the current ratio of the Group, being the ratio of current assets to current liabilities, remained stable and amounted to approximately 2.5 times (2020: approximately 2.5 times);

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

(iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong dollars, amounted to approximately HK$165.6 million (2020: approximately HK$196.6 million). Such decrease was due to (i) net cash used in operating activities for the Year of approximately HK$12.9 million; (ii) purchase of debt securities of HK$12.0 million; (iii) purchase of financial assets at FVTPL of HK$9.0 million; and (iv) purchase of property, plant and equipment of approximately HK$6.1 million, which was partially offset by the proceeds from issue of shares of approximately HK$13.3 million; and

(v) the Group did not have any debt (2020: Nil) and therefore gearing ratio was not applicable.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charges on its assets as at 31 December 2021 (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS

Details of significant investments, representing investment in an investee company with a value of 5 per cent. or more of the Group's total assets as at 31 December 2021, are set out as follows:

	As at 31 December 2021				During the Year				
	No. of shares held	% of shares held in the investee	% to the Group's total assets	Fair value/ Carrying amount (HK$'000)	Share of result of an associate (HK$'000)	Impairment loss recognised (HK$'000)	Fair value gain (HK$'000)	Dividends income (HK$'000)	Investment cost (HK$'000)
Investment in an associate – RS (BVI) Holdings Limited	25	25%	6.6%	22,003	(92)	(14,661)	N/A	–	36,756 (Note)
Financial assets at FVTPL – Put and Repurchase Option	N/A	N/A	7.3%	24,323	N/A	N/A	23,799	N/A	524 (Note)

Note: The total investment cost of RS (BVI) Holdings Limited of HK$37,280,000 is calculated by multiplying 233,000,000 consideration shares allotted and issued on 30 September 2021 and the closing price of the consideration shares of HK$0.16 as at 30 September 2021, of which HK$36,756,000 and HK$524,000 relate to cost of investment in an associate and fair value of the Put and Repurchase Option, respectively, on 30 September 2021.

Further details of the significant investments during the Year are disclosed in the paragraph headed "MATERIAL ACQUISITIONS OR DISPOSALS" below.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS

Background of the Acquisition

On 6 July 2021, the Company as purchaser, RaffAello Holdings Limited ("**RaffAello Holdings**") as vendor and RS (BVI) Holdings Limited ("**RS (BVI)**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") (as amended and supplemented by a supplemental agreement dated 15 July 2021), pursuant to which the Company has conditionally agreed to purchase, and RaffAello Holdings has conditionally agreed to sell, 25% of the issued share capital of RS (BVI) (the "**Sale Shares**") for the consideration of HK$32,853,000 (the "**Acquisition**"). The Acquisition was satisfied by way of allotment and issue of an aggregate of 233,000,000 consideration shares (the "**Consideration Shares**") at HK$0.141 per share, credited as fully paid, to RaffAello Holdings upon completion on 30 September 2021. Upon completion, RS (BVI) is owned as to 75% and 25% by RaffAello Holdings and the Company, respectively, and RS (BVI) is accounted for as an associate company of the Company.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, RaffAello Holdings irrevocably and unconditionally warranted and guaranteed to the Company (or its nominee) that the profit after tax of RSL, a wholly-owned subsidiary of RS (BVI), to be reported in accordance with Hong Kong Financial Reporting Standards as shown in its audited financial statements for the year ending 31 March 2022 (the "**Audited Full-Year Financial Statements**"), excluding any extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, issued by the auditors will not be less than HK$15,500,000 (the "**Guaranteed Profits**"). As security for the performance of the obligations of RaffAello Holdings, RaffAello Holdings and the Company jointly appointed Astrum Capital to act as the escrow agent and to hold the share certificate(s) in relation to the Consideration Shares on and subject to the terms and conditions under the escrow letter and the option deed entered into between the Company, RaffAello Holdings and Astrum Capital.

Put and Repurchase Option

RaffAello Holdings irrevocably granted the Company (or its nominee, as the case may be) the option (the "**Put and Repurchase Option**") to (i) sell all the Sales Shares to RaffAello Holdings and require RaffAello Holdings to purchase all the Sales Shares from the Company (or its nominee, as the case may be) at the put option price of HK$32,853,000; and (ii) repurchase all the Consideration Shares from RaffAello Holdings and require RaffAello Holdings to sell all the Consideration Shares at the repurchase price of HK$32,853,000 within the period commencing from the issue date of the Audited Full-Year Financial Statements (the "**Put Option Designated Date**") and ending on a date falling 60 calendar days from the Put Option Designated Date if the profit after tax of RSL as shown in the Audited Full-Year Financial Statements, excluding extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, is less than the Guaranteed Profits.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS (Continued)

Principal business of RSL

RSL is a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. The Board considered that the Acquisition offers the Group an invaluable opportunity to closely collaborate with RSL in the placing and underwriting business. Being a fellow subsidiary of RaffAello Capital Limited ("**RCL**"), a licensed corporation principally engaged in new listing sponsorship, RSL takes part in the placing and/or underwriting business of those IPO projects sponsored by RCL. The Directors believed that the Group could leverage on the IPO project partnership arrangement between RSL and RCL, which was expected to continue after the Acquisition, to further expand the IPO placing and underwriting business carried on by the Group through potential placing and underwriting opportunities offered by RSL and RCL.

Looking ahead, amid a challenging operating environment under the development of COVID-19, RSL will continue its existing business with an aim of expanding its project pipeline of placing and underwriting business.

Details of the Acquisition were disclosed in the announcements of the Company dated 6 July 2021, 15 July 2021 and 30 September 2021, and the circular of the Company dated 7 September 2021. The Company will make announcement as to whether the actual performance of RSL meets the Profit Guarantee as soon as practicable.

Save and except for the above, the Group did not conduct any other material acquisition and/or disposal of subsidiaries, associates and joint ventures during the Year.

CHANGE OF COMPANY NAME, STOCK SHORT NAMES AND WEBSITE ADDRESS

As disclosed in the announcement of the Company dated 26 October 2021, the English name of the Company has been changed from Astrum Financial Holdings Limited to RaffAello-Astrum Financial Holdings Limited and the dual foreign name in Chinese of the Company, being "阿仕特朗金融控股有限公司" has been dispensed. The stock short name of the Company for trading in the shares of the Company on the Stock Exchange have been changed from "ASTRUM FIN" to "RAFFAELLOASTRUM", and the existing Chinese stock short name of "阿仕特朗金融" has been dispensed with and no Chinese stock short name has been adopted by the Company, with effect from 9:00 a.m. on 29 October 2021. The Company's website has also been changed from "www.astrum-capital.com" to "www.astrum-capital.com/raffaello-astrum/" with effect from 29 October 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 31 December 2021, the Group did not have any commitment (2020: Nil) in respect of underwriting of shares.

In addition, the Group did not have any capital commitments as at 31 December 2021 (2020: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2021 (2020: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Credit risk

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

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

Liquidity risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

Up to the date of this annual report, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Pan Chik (潘稷) (alias Jackie Pan), aged 53, is the chairman of the board of Directors (the "**Board**"), an executive Director and the Chief Executive Officer of the Group. Mr. Pan was appointed as an executive Director on 13 January 2015 and is responsible for formulating corporate strategy, planning, business development as well as supervising the overall operations of the Group.

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

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

Mr. Tsang Kin Hung (曾建雄) (alias Ricky Tsang), aged 57, is the vice-chairman of the Board and an executive Director. Mr. Tsang was appointed as an executive Director on 30 September 2021 and is responsible for business planning and development of the Group.

Mr. Tsang has over 20 years of experience working and participating in finance market in Hong Kong. He served as a responsible officer at SinoPac Securities (Asia) Limited to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO from April 2003 to August 2003, as well as Type 6 (advising on corporate finance) regulated activity from April 2003 to July 2005, from August 2010 to February 2011 and from September 2011 to June 2012. He was also a responsible officer to carry out Type 6 (advising on corporate finance) regulated activity under the SFO at Fubon Capital (HK) Limited from November 2005 to January 2007. He is currently the controlling shareholder and director of RaffAello Holdings Limited, being an investment holding company with its operating subsidiaries, namely RaffAello Securities (HK) Limited, RaffAello Capital Limited ("**RCL**") and RaffAello Investment Management (HK) Limited, principally engaged in the provision of (i) corporate finance advisory services; (ii) placing and underwriting services; (iii) securities dealing and brokerage services; and (iv) assets management services. He has been the responsible officer of RCL to carry out Type 6 (advising on corporate finance) regulated activity under the SFO since July 2012. Mr. Tsang obtained a diploma in Chinese law from the University of East Asia, Macau (currently known as the City University of Macau) in April 1990, and was admitted as an associate of the Chartered Institute of Arbitrators in March 1994.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Kwan Chun Yee Hidulf (關振義), aged 49, was appointed as an executive Director on 13 January 2015 and is responsible for business planning and development and overseeing the operations of the Group. Mr. Kwan is also the compliance officer of the Company with effect from 16 November 2017. He has over 20 years of experience in the financial services industry. Prior to joining the Group, Mr. Kwan was the responsible officer of Asia Investment Management Limited, Goldin Financial Limited and South West Capital Limited at the material time for the period from March 2009 to June 2012.

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

Ms. Yu Hoi Ling (余凱玲) (alias Irene Yu), aged 29, joined the Group in August 2021 and was appointed as an executive Director on 25 October 2021. She is responsible for project management and business development of the Group. Ms. Yu has experience in areas of securities settlement, operations and administrative management in the financial services industry. Prior to joining the Group, Ms. Yu served in two securities and brokerage firms, primarily responsible for monitoring securities settlement, managing day to day operations, project management and supporting in accounting and administrative matters. Ms. Yu is currently the director of Power Gate Capital Limited, an indirect wholly-owned subsidiary of the Company. Ms. Yu obtained the Certificate IV in Business from Sterling Business College in April 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sum Loong (沈龍) (alias Dillan Sum), aged 60, was appointed as an independent non-executive Director on 1 November 2020. Mr. Sum has over 25 years of working experience in the areas of corporate/company/commercial legal affairs, compliance and business administration matters. He is currently a partner and solicitor of Wong Heung Sum & Lawyers and company secretary and authorised representative of SingAsia Holdings Limited (stock code: 8293).

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Lau Hon Kee (劉漢基) (alias Keith Vingo Lau), aged 51, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lau has over 20 years of experience in the financial reporting and accounting fields. He is an independent non-executive director of Dafeng Port Heshun Technology Company Limited (stock code: 8310).

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

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

Ms. Yue Chung Sze Joyce (余頌詩), aged 51, was appointed as an independent non-executive Director on 24 September 2021. She holds a bachelor of arts conferred by the University of Hong Kong in 1993. She is currently a business consultant of Zankel Limited, a company principally engaged in marketing consultation services, responsible for business development and strategies optimisation.

Ms. Yue has over 20 years of working experience in the areas of management and business administration matters. From November 2013 to August 2014, Ms. Yue was the independent non-executive director of JC Group Holdings Limited (currently known as Tonking New Energy Group Holdings Limited) (stock code: 8326). In addition, she is the co-founder of Wishbones Limited, a company principally engaged in the production and sales of footwear. From March 2013 to August 2018, she acted as the managing partner of Wishbones Limited and was responsible for business development, budget and financial planning, as well as sales and marketing.

SENIOR MANAGEMENT

Mr. Fung Tat Hung Ricky (馮達雄), aged 51, head of dealing department, joined the Group on 1 March 2005. Mr. Fung has over 20 years of experience in financial market. Mr. Fung is responsible for managing day to day trading operation. Mr. Fung obtained a diploma in business Management from The Hong Kong Polytechnic University in September 1995. In October 2003, Mr. Fung obtained a master degree in engineering management from University of Technology, Sydney via distance learning.

COMPANY SECRETARY

Mr. Lam Wing Tai (林永泰), aged 55, was appointed as the company secretary of the Company on 1 December 2021. Mr. Lam was admitted as a certified practicing accountant of the Certified Practicing Accountants Australia in May 1995 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1996. He studied accounting at the Australian National University and obtained a bachelor degree in commerce in 1991. He is a non-practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has been the financial controller of Astrum Capital since 2009 except for the period from March 2015 to December 2016.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interest and to enhance their confidence and support. For the year ended 31 December 2021 (the "**Year**"), the Company has adopted and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") effective on or before 31 December 2021 as set out in Appendix 15 to the GEM Listing Rules except the deviation from the CG Code provision A.2.1. The board (the "**Board**") of Directors will review and continue to enhance the Company's corporate governance standards, as the Directors believe that sound internal controls and effective corporate governance practices are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

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

CHAIRMAN AND CHIEF EXECUTIVE

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

THE BOARD

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

In accordance with article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, in accordance with article 112 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. At the forthcoming annual general meeting of the Company (the "**2022 AGM**"), each of Mr. Pan Chik, Mr. Tsang Kin Hung, Ms. Yu Hoi Ling, Mr. Lau Hon Kee and Ms. Yue Chung Sze Joyce will retire as Director by rotation and, being eligible, will offer themselves for re-election at the 2022 AGM.

EXECUTIVE DIRECTORS

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

Executive Directors

Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Tsang Kin Hung *(Vice-chairman) (appointment effective on 30 September 2021)*
Mr. Kwan Chun Yee Hidulf
Ms. Yu Hoi Ling *(appointment effective on 25 October 2021)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a service contract for an initial term of three years and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles. Service contracts for Mr. Lau Hon Kee, Mr. Sum Loong and Ms. Yue Chung Sze Joyce were commencing from 14 July 2019, 1 November 2020 and 24 September 2021, respectively.

Independent non-executive Directors

Mr. Sum Loong
Mr. Lau Hon Kee
Ms. Yue Chung Sze Joyce *(appointment effective on 24 September 2021)*
Mr. Lee Tak Cheung Vincent *(resignation effective on 24 September 2021)*

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Lau Hon Kee possesses the appropriate professional qualifications, or accounting and related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. None of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2021 in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 5.09 of the GEM Listing Rules.

RELATIONSHIP AMONG BOARD MEMBERS

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

BOARD COMMITTEES

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

The Board is responsible for performing the corporate governance duties as set out in CG Code provision D.3.1 which include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. The Board has, for the Year, reviewed the compliance with the CG Code and conducted a review of the effectiveness of the risk management and internal control systems of the Group.

Remuneration Committee

The chairman of the Remuneration Committee is Mr. Sum Loong, being an independent non-executive Director, and other members include Mr. Pan Chik and Mr. Kwan Chun Yee Hidulf, both being executive Directors and Mr. Lau Hon Kee and Ms. Yue Chung Sze Joyce, both being independent non-executive Directors.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing remuneration policy, and on the remuneration packages of individual executive Directors and senior management (including benefits in kinds, pension rights and compensation payment) and the remuneration of the non-executive Directors. The remunerations of the Directors are determined with reference to, among others, the financial performance of the Group, the prevailing industry practice, the responsibilities and duties assumed by each Director, as well as their experience and individual performance. The Remuneration Committee has reviewed the remuneration package of the Directors and senior management of the Company and considered that they are fair and reasonable during the Year.

BOARD COMMITTEES (Continued)

Senior management's remuneration by band

Pursuant to CG Code provision B.1.5, senior management's remuneration for the Year falls within the following bands:

	Number of individuals
Nil to HK$1,000,000	3 (Note)

Note: Including a member of senior management who has resigned during the Year.

Further particulars regarding Directors' emoluments and five highest paid employees as required to be disclosed pursuant to the GEM Listing Rules are set out in Notes 10 and 11 to the consolidated financial statements respectively.

Nomination Committee

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

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

BOARD COMMITTEES (Continued)

Nomination policy

The Board adopted a nomination policy on the nomination of directors on 20 December 2018.

According to the nomination policy, the secretary of the Nomination Committee shall call a meeting of the Nomination Committee and invite nominations of candidates from Board members for consideration by the Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. Furthermore, a shareholder of the Company can serve a notice to the Board or company secretary with the lodgement period of its intention to propose a resolution to elect a certain candidate as a Director, without the Board's recommendation or the Nomination Committee's nomination.

The Nomination Committee will make reference to factors including reputation for integrity, accomplishment and experience in the industry of the principal businesses of the Group, commitment in respect of available time and relevant interest and diversity in all its aspects, including but not limited to skill, knowledge, gender, age, cultural and educational background or professional experience. Retiring independent non-executive Directors (the "**INED(s)**"), save for those who have served as INED for a period of 9 consecutive years, are eligible for nomination by the Board to stand for re-election at a general meeting. For the avoidance of doubt, the INED who has been serving on the Board for a period of 9 consecutive years or more may continue to hold office until expiry of his/her current term of service, subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he/she is still independent and should be re-elected.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Board diversity policy

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

The Board's composition under diversified perspectives was summarised as follows:

Designation	Executive Director (4)	Independent Non-executive Director (3)	
Gender	Male (5)	Female (2)	
Age group	51–60 (5)	41–50 (1)	Below 40 (1)
Professional experience, skills, knowledge	Securities & finance (4)	Management and commercial (1)	
	Accounting (1)	Law (1)	
Education	University (5)	Post-secondary (2)	
Length of service (year)	Over 10 (1)	3–10 (2)	Less than 3 (4)

The Nomination Committee has reviewed the Board's composition from diversity perspectives and monitored the implementation of the board diversity policy and considers that it is effective. It is currently not required to set any measurable objectives for implementing the said policy.

BOARD COMMITTEES (Continued)

Audit Committee

The chairman of the Audit Committee is Mr. Lau Hon Kee, being an independent non-executive Director, and other members include Mr. Sum Loong and Ms. Yue Chung Sze Joyce, both being independent non-executive Directors.

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

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise. During the Year, the Audit Committee held 5 meetings, among other matters, to review, assess and comment on the consolidated quarterly, interim and annual results of the Group. It has also reviewed the effectiveness of the risk management and internal control systems of the Group, the continuing connected transactions carried out by the Group and the compliance with the Non-competition Undertaking in the section headed "REPORT OF THE DIRECTORS" of this annual report. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Year have complied with applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board on the re-appointment of HLB Hodgson Impey Cheng Limited as the independent auditors of the Company at the 2022 AGM.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

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

Directors/Board Committees	The Board (Notes 1 & 2)	Audit Committee (Notes 1 & 2)	Remuneration Committee (Notes 1 & 2)	Nomination Committee (Notes 1 & 2)	General Meeting
Mr. Pan Chik	C (14/14)	N/A	M (5/5)	C (4/4)	(2/2)
Mr. Tsang Kin Hung *(appointment effective on 30 September 2021)*	M (3/3)	N/A	N/A	N/A	N/A
Mr. Kwan Chun Yee Hidulf	M (14/14)	N/A	M (5/5)	M (4/4)	(2/2)
Ms. Yu Hoi Ling *(appointment effective on 25 October 2021)*	M (2/2)	N/A	N/A	N/A	N/A
Mr. Sum Loong	M (14/14)	M (5/5)	C (5/5)	M (4/4)	(2/2)
Mr. Lau Hon Kee	M (14/14)	C (5/5)	M (5/5)	M (4/4)	(2/2)
Ms. Yue Chung Sze Joyce *(appointment effective on 24 September 2021)*	M (4/4)	M (2/2)	M (2/2)	M (1/1)	N/A
Mr. Lee Tak Cheung Vincent *(resignation effective on 24 September 2021)*	M (10/10)	M (3/3)	M (3/3)	M (3/3)	(1/2)

Notes:

1. C – Chairman of the relevant Board Committee

2. M – Member of the relevant Board Committee

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditors of the Company regarding their responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 53 to 59 of this annual report.

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND DEVELOPMENT

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

All Directors confirmed that they have complied with the CG Code provision A.6.5. During the Year, all Directors namely, Mr. Pan Chik, Mr. Tsang Kin Hung, Mr. Kwan Chun Yee Hidulf, Ms. Yu Hoi Ling, Mr. Sum Loong, Mr. Lau Hon Kee and Ms. Yue Chung Sze Joyce, have participated in continuous professional development by attending seminars, courses or conferences or reading related materials to develop and refresh their knowledge and skills.

DIRECTORS' SECURITIES TRANSACTIONS

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

COMPANY SECRETARY

With effect from 1 December 2021, Mr. Mak Yat Tang Anthony has resigned, and Mr. Lam Wing Tai has been appointed, as the company secretary of the Company. The biographical details of Mr. Lam are set out in "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report. In accordance with the Rule 5.15 of the GEM Listing Rules, Mr. Lam had taken no less than 15 hours of relevant professional training during the Year.

INDEPENDENT AUDITORS' REMUNERATION

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

Services rendered	**Remuneration paid/ payable** HK$'000
Audit services	
– Audit for the Year	780
Non-audit services	
– Review of the financial information in interim report	90
	870

CONSTITUTIONAL DOCUMENTS

There was no amendment to the Company's constitutional documents during the Year. The latest version of the Amended and Restated Memorandums and Articles of Association of the Company is available on the websites of the Stock Exchange and the Company.

DIVIDENDS POLICY

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

(a) the Group's financial results;

(b) the shareholders' interests;

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

(d) the Group's capital requirements;

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

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

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

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

The Group's risk management and internal control system is reviewed on an annual basis. As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. In January 2022, the Group engaged an external internal control consultant, ACCE Consulting Group Limited ("**ACCE**"), to conduct a review on the risk management and internal control system of the Group for the Year. The review covered risk management and certain operational procedures and included recommendations for improvement and strengthening of the risk management and internal control system of the Group. No significant internal control shortcomings or weaknesses have been identified by ACCE during the review. Based on the findings and recommendations of ACCE as well as the comments of the Audit Committee, the Board considered that the risk management and internal control system of the Group are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (Continued)

Handling and dissemination of inside information

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

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS

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

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

Furthermore, the Company views its general meetings, including the annual general meeting and special general meetings, as an opportune forum for shareholders to communicate with the Board and senior management. All directors and senior management make an effort to attend the meeting. Representatives of external auditors are also available at the annual general meeting to address shareholders' queries on the financial statements. Questioning by the shareholders at the general meetings is encouraged and welcome. In addition to attending general meetings, shareholders may send their enquiries to the Board at any time by addressing them to the principal place of business of the Company in Hong Kong (located at Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong) by post or by email to info@astrum-capital.com. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. In addition, shareholders should direct the questions about their shareholdings to Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company.

The Board has reviewed the Shareholders' Communication Policy and considers that it was effective during the Year.

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS (Continued)

Procedures for the shareholders to convene an extraordinary general meeting

According to article 64 of the Articles, extraordinary general meetings of the Company shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth (1/10) of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Procedures for putting forward proposals by shareholders at general meetings

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

REPORT OF THE DIRECTORS

The directors (the "**Directors**") of the board (the "**Board**") of RaffAello-Astrum Financial Holdings Limited (the "**Company**") are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**").

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2021 are set out in Note 36 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the Year and an analysis of the prospects of the Group's business are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 6 to 18 of this annual report.

A description of the principal risks and uncertainties facing by the Group are set out in the paragraph headed "PRINCIPAL RISKS AND UNCERTAINTIES" in the section of "MANAGEMENT DISCUSSION AND ANALYSIS" on page 17 of this annual report.

SEGMENTAL INFORMATION

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

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group as at 31 December 2021 are set out in the consolidated financial statements from pages 60 to 145 of this annual report.

At the board meeting of the Company held on 7 May 2021, the Board did not recommend the payment of any interim dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: HK$0.005 per share).

At the board meeting of the Company held on 6 August 2021, the Board did not recommend the payment of any interim dividend for the three months ended 30 June 2021 (three months ended 30 June 2020: HK$0.0025 per share).

At the board meeting of the Company held on 5 November 2021, the Board did not recommend the payment of any interim dividend for the three months ended 30 September 2021 (three months ended 30 September 2020: HK$0.0025 per share).

At the board meeting of the Company held on 25 March 2022, the Board did not recommend the payment of final dividend for the Year (2020: Nil).

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years is set out on page 146 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the turnover attributable to the Group's largest customer accounted for approximately 16.0% (2020: approximately 49.3%) of the Group's total turnover and the turnover attributable to the Group's five largest customers accounted for approximately 31.2% (2020: approximately 69.1%) of the Group's total turnover.

During the Year, one of the five largest customers was an associate of Mr. Pan Chik ("**Mr. Pan**"), the chairman of the Board, an executive Director and the Chief Executive Officer of the Group, who maintained a securities trading account with Astrum Capital Management Limited where the Group generated commission from brokerage services and interest income from securities and IPO financing.

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

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 27 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and in Note 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to the shareholders were approximately HK$134.5 million (2020: approximately HK$81.0 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

Save and except for (i) the placing of new shares under general mandate completed on 24 February 2021 (please refer to the paragraph headed "USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE" under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on page 13 for further details of the placing); (ii) the issue of consideration shares under specific mandate on 30 September 2021 (please refer to the paragraph headed "MATERIAL ACQUISITIONS OR DISPOSALS" under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 15 to 16 for further details of the acquisition); and (iii) the share option scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME" below, no equity linked agreements were entered into by the Company during the Year or subsisted at the end of the Year that (i) will or may result in the Company issuing shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing shares.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the shareholders of the Company on 23 June 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to grant a share option to any eligible participant whom the Board may select at its absolute discretion.

Details of the movements of share options during the Year are set out below:

	Outstanding at 1 January 2021	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at 31 December 2021
Directors and Chief Executive					
Mr. Pan Chik	–	8,000,000	–	–	8,000,000
Mr. Kwan Chun Yee Hidulf	–	8,000,000	–	–	8,000,000
Others					
Employees	–	40,000,000	–	(8,000,000)	32,000,000
Clients and business partners	–	24,000,000	–	–	24,000,000
Total	–	80,000,000	–	(8,000,000)	72,000,000

SHARE OPTION SCHEME (Continued)

All the 80,000,000 share options were granted by the Company to 11 eligible participants on 4 January 2021 with a validity period of five years from the date of grant and immediately vested at the date of grant, which entitle the holders of the share options to subscribe for shares at an exercise price of HK$0.096 per share. The closing price of the shares of the Company immediately before the date on which share options were granted was HK$0.101 per share.

During the Year, 8,000,000 share options were lapsed due to the departure of an employee while no share options were exercised or cancelled. As at 31 December 2021, there were 72,000,000 share options outstanding. Subsequent to 31 December 2021, 4,000,000 share options of another employee (who ceased employment in December 2021) were lapsed on the expiry of three months after the date of cessation of employment. As at the date of this annual report, the total number of securities available for issue under the Scheme was 80,000,000 shares, comprising (i) 68,000,000 shares to be issued upon exercise of the outstanding share options, representing approximately 5.7% of the total number of issued shares of the Company (i.e. 1,193,000,000 shares); and (ii) 12,000,000 share options available for grant under the Scheme, representing approximately 1.0% of the total number of issued shares of the Company.

Further details of the Scheme are set out in Note 29 to the consolidated financial statements.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 22 to 34 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 December 2021, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

A separate environmental, social and governance report prepared in accordance with Appendix 20 to the GEM Listing Rules is expected to be published on the website of the Stock Exchange *(www.hkexnews.hk)* and the website of the Company *(www.astrum-capital.com/raffaello-astrum/)* no later than five months after the financial year-end (i.e. 31 May 2022).

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

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

DONATION

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

DIRECTORS AND THEIR SERVICE CONTRACTS

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

Executive Directors

Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Tsang Kin Hung *(Vice-chairman) (appointment effective on 30 September 2021)*
Mr. Kwan Chun Yee Hidulf
Ms. Yu Hoi Ling *(appointment effective on 25 October 2021)*

Independent Non-executive Directors

Mr. Sum Loong
Mr. Lau Hon Kee
Ms. Yue Chung Sze Joyce *(appointment effective on 24 September 2021)*
Mr. Lee Tak Cheung Vincent *(resignation effective on 24 September 2021)*

DIRECTORS AND THEIR SERVICE CONTRACTS (Continued)

In accordance with article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, in accordance with article 112 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. At the forthcoming annual general meeting of the Company (the "**2022 AGM**"), each of Mr. Pan, Mr. Tsang Kin Hung, Ms. Yu Hoi Ling, Mr. Lau Hon Kee and Ms. Yue Chung Sze Joyce will retire from office as Director by rotation and, being eligible, will offer themselves for re-election at the 2022 AGM.

Each of the Directors has entered into a service contract with the Company for a term of three years.

No Director proposed for re-election at the 2022 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 19 to 21 of this annual report.

EMOLUMENT POLICY

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

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

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

Details of the remuneration of senior management by band is set out in Note 32(iii) to the consolidated financial statements.

Details of the retirement benefit scheme are set out in Note 30 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

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

COMPETING INTERESTS

As at 31 December 2021, each of Mr. Tsang Kin Hung ("**Mr. Tsang**"), Ms. Qin Siu Kiu Michelle ("**Mrs. Tsang**", being the spouse of Mr. Tsang) and RaffAello Holdings were interested in the following companies which compete or may compete, either directly or indirectly, with the business of the Company: (i) Captain Expert Limited (an investment holding company); (ii) RaffAello Holdings (an investment holding company); (iii) RaffAello Investment Management (HK) Limited (a corporation licensed to carry out Type 9 (asset management) regulated activity under the SFO); (iv) RC (BVI) Holdings Limited (an investment holding company); (v) RaffAello Capital Limited (a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO); (vi) RS (BVI) (an investment holding company and an associate company of the Company on or after 30 September 2021); and (vii) RaffAello Securities (HK) Limited (a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO).

Save as disclosed above, none of the Directors, the substantial shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the Year.

NON-COMPETITION UNDERTAKING

Confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited four confirmations respectively in April, July and October 2021 and March 2022 on their compliance of the non-competition undertaking under the Deed of Non-competition ("**Pan's Undertaking**") for the respective period from 1 January 2021 to 31 March 2021, 1 April 2021 to 30 June 2021, 1 July 2021 to 30 September 2021 and 1 October 2021 to 31 December 2021. The Audit Committee, being all the independent non-executive Directors, have reviewed the compliance of Pan's Undertaking and evaluated the effectiveness of the implementation of the Deed of Non-competition, and were satisfied that Mr. Pan and Autumn Ocean Limited have complied with Pan's Undertaking during the Year.

NON-COMPETITION UNDERTAKING (Continued)

Confirmation from Mr. Tsang

On 30 September 2021, Mr. Tsang as covenantor entered into a deed of non-competition in favour of the Company (the "**Tsang's Deed of Non-competition**").

Pursuant to the Tsang's Deed of Non-competition, Mr. Tsang has irrevocably and unconditionally undertaken to and covenanted with the Company (for itself and as trustee for the benefit of the members of the Group) that during the continuation of the Tsang's Deed of Non-competition, (a) save as disclosed in the paragraph headed "COMPETING INTERESTS" above, Mr. Tsang shall not, and shall procure each of his close associates (other than any members of the Group) not to, whether on his own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing, and asset management services) in Hong Kong and any other country or jurisdiction to which the Group markets, supplies or otherwise provides such services and/or in which any members of the Group carries on business mentioned above from time to time (the "**Restricted Business**"); (b) if Mr. Tsang and/or any of his close associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he shall: (i) promptly notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him and/or his close associates; and (c) if the Group has not given written notice of its desire to invest or participate in such New Business Opportunity or has given written notice denying the New Business Opportunity, Mr. Tsang and/or his close associates shall be permitted to invest in or participate in the New Business Opportunity on his own accord.

The undertakings given in the Tsang's Deed of Non-competition are subject to the exception that Mr. Tsang and his close associates (excluding the Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to the Group, provided always that information about the principal terms thereof has been disclosed to the Company and the Directors, and the Company shall have confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that Mr. Tsang or the relevant close associate of Mr. Tsang invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to the Company.

NON-COMPETITION UNDERTAKING (Continued)

Confirmation from Mr. Tsang (Continued)

In addition, the undertakings given in the Tsang's Deed of Non-competition do not apply to (a) any existing or former client of the entities disclosed in the paragraph headed "COMPETING INTERESTS", who/which directly offers such entities any New Business Opportunity; (b) any New Business Opportunity which is obtained by the directors and/or responsible officers (excluding Mr. Tsang and/or his close associates) of the entities disclosed in the paragraph headed "COMPETING INTERESTS", through the effort spent by such directors and/or responsible officers of such entities (excluding Mr. Tsang and/or his close associates); (c) any interests in the shares of any member of the Group; and (d) interests in the shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange, and the total number of the shares held by Mr. Tsang and/or his close associates (excluding the Group) in aggregate does not exceed 10% of the issued shares of that class of the company in question and Mr. Tsang and/or his close associates (excluding the Group) are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by Mr. Tsang and his close associates in aggregate.

The Company received from Mr. Tsang two confirmations respectively in November 2021 and March 2022 on his compliance of the non-competition undertaking ("**Tsang's Undertaking**") under the Tsang's Deed of Non-competition dated 30 September 2021 given by him in favour of the Company for the date of 30 September 2021 and for the period from 1 October 2021 to 31 December 2021. The Audit Committee, being all the independent non-executive Directors, reviewed the compliance of Tsang's Undertaking and evaluated the effectiveness of the implementation of the Tsang's Deed of Non-competition, and were satisfied that Mr. Tsang has complied with Tsang's Undertaking during the period commencing from 30 September 2021 to 31 December 2021.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 32 to the consolidated financial statements. Those related party transactions which constitute connected transactions/continuing connected transactions under the GEM Listing Rules are set out in the paragraph headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" below. These continuing connected transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

One-off Connected Transactions

As disclosed in the paragraph headed "MATERIAL ACQUISITIONS OR DISPOSALS" under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of this annual report, as one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constituted a disclosable transaction under Chapter 19 of the GEM Listing Rules. Further, as Mr. Tsang, who is the controlling shareholder and sole director of RS (BVI), would be nominated as an executive Director and become a substantial shareholder of the Company (as defined under the GEM Listing Rules) as a result of the Acquisition, the Acquisition constituted a one-off connected transaction pursuant to Rule 20.26 of the GEM Listing Rules. As such, the Acquisition was subject to the notification, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The Acquisition was duly passed as an ordinary resolution by the independent shareholders by way of poll at the extraordinary general meeting of the Company held on 23 September 2021.

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

Continuing connected transactions

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

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

Date of agreement	:	6 August 2020
Term	:	24 September 2020 to 31 December 2022
Transaction nature	:	provision of margin financing and/or IPO financing services by Astrum Capital to (i) Mr. Pan and his associates (including his family members and certain private companies controlled by Mr. Pan and his family members but excluding the Group (collectively, the "**Pan's Family**")); and (ii) Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**") and his associate (the "**Kwan's Family**")) under their respective securities trading accounts with Astrum Capital

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing connected transactions (Continued)

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

Connected parties	Annual caps	Annual cap amount for the Year HK$'000	Advance from the Group/ Interest paid to the Group	Historical maximum amount/ transaction amount during the Year HK$'000 (Approximately)
Pan's Family	IPO Annual Cap (Note 1)	80,000	Advance from the Group	76,995
	Margin Annual Cap (Note 2)	20,000	Advance from the Group	19,974
	Interest Annual Cap (Note 3)	2,300	Interest paid to the Group	682
Kwan's Family	IPO Annual Cap (Note 1)	20,000	Advance from the Group	15,780
	Margin Annual Cap (Note 2)	1,300	Advance from the Group	1,020
	Interest Annual Cap (Note 3)	125	Interest paid to the Group	60

Notes:

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

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

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

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing connected transactions (Continued)

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

Listing Rule implications

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

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

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

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Auditors' letter on continuing connected transactions

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

The Company's auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 44 to 47 of this annual report in accordance with Rule 20.54 of the GEM Listing Rules.

Confirmation of independent non-executive Directors

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

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

As at 31 December 2021, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "**Chief Executives**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Long position in the shares and underlying shares of the Company

Name of Director	Capacity/ Nature of interests	Number of shares held	Number of underlying shares held (Note 3)	Total	Approximate percentage of shareholding (Note 4)
Mr. Pan	Interest of a controlled corporation/Beneficial owner	532,685,000 (Note 1)	8,000,000	540,685,000	45.32%
Mr. Tsang	Interest of a controlled corporation	233,000,000 (Note 2)	–	233,000,000	19.53%
Mr. Kwan	Beneficial owner	–	8,000,000	8,000,000	0.67%

Notes:

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

2. These 233,000,000 Shares are held by RaffAello Holdings which is wholly-owned by Captain Expert Limited, which is in turn owned as to 70% by Mr. Tsang and 30% by Mrs. Tsang, who is the spouse of Mr. Tsang. Hence, Mr. Tsang is deemed, or taken to be, interested in all the Shares held by RaffAello Holdings for the purposes of the SFO.

3. Each of Mr. Pan and Mr. Kwan, the executive Directors, was granted on 4 January 2021 8,000,000 share options under the Scheme at an exercise price of HK$0.096 per share with a validity period of five years from the date of grant. All the share options were immediately vested at the date of grant.

4. The percentage is calculated on the basis of 1,193,000,000 shares in issue as at 31 December 2021.

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

(ii) Long position in the shares and/or underlying shares of the Company's associated corporation

Name of Associated Corporation	Name of Director	Capacity/ Nature of interests	Number of shares held	Approximate percentage of shareholding (Note 2)
RS (BVI)	Mr. Tsang	Interest of a controlled corporation	75 (Note 1)	75%

Notes:

1. These 75 shares of RS (BVI) are held by RaffAello Holdings which is wholly-owned by Captain Expert Limited, which is in turn owned as to 70% by Mr. Tsang and 30% by Mrs. Tsang, who is the spouse of Mr. Tsang. Hence, Mr. Tsang is deemed, or taken to be, interested in all the shares of RS (BVI) held by RaffAello Holdings for the purposes of the SFO.

2. The percentage is calculated on the basis of 100 issued shares of RS (BVI) as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, which would have to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which would have to be notified to the Company and the Stock Exchange.

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

So far as the Directors and the Chief Executives are aware, as at 31 December 2021, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the shares and underlying shares of the Company

Name	Capacity/ Nature of interests	Number of shares held/ interested in	Number of underlying shares held	Total	Approximate percentage of shareholding (Note 3)
Ms. Liu Ming Lai Lorna (Note 1)	Interest of spouse	532,685,000	8,000,000	540,685,000	45.32%
Autumn Ocean Limited	Beneficial interest	532,685,000	–	532,685,000	44.65%
Mrs. Tsang (Note 2)	Interest of a controlled corporation	233,000,000	–	233,000,000	19.53%
Captain Expert Limited (Note 2)	Interest of a controlled corporation	233,000,000	–	233,000,000	19.53%
RaffAello Holdings	Beneficial interest	233,000,000	–	233,000,000	19.53%

Notes:

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

2. These 233,000,000 Shares are held by RaffAello Holdings which is wholly-owned by Captain Expert Limited, which in turn is owned as to 70% by Mr. Tsang and 30% by Mrs. Tsang, who is the spouse of Mr. Tsang. Hence, Captain Expert Limited and Mrs. Tsang is deemed, or taken to be, interested in all the Shares held by RaffAello Holdings for the purposes of the SFO.

3. The percentage is calculated on the basis of 1,193,000,000 shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for (i) those disclosed under the paragraph headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" above; (ii) the 233,000,000 Shares held by RaffAello Holdings (which is wholly-owned by Captain Expert Limited, which is in turn owned as to 70% by Mr. Tsang, an executive Director, and as to 30% by Mrs. Tsang) have been retained by Astrum Capital (being the escrow agent jointly appointed by RaffAello Holdings and the Company in accordance with the terms and conditions of the escrow letter dated 30 September 2021); and (iii) those disclosed in Note 32 to the consolidated financial statements, during the Year, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

AUDITORS

The consolidated financial statements of the Group for the Year were audited by HLB Hodgson Impey Cheng Limited ("**HLB**"), the independent auditors of the Company, who shall retire and, being eligible, offer itself for re-appointment at the 2022 AGM. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of HLB as the independent auditors of the Company will be proposed at the 2022 AGM.

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

On behalf of the Board

Pan Chik
Chairman and Chief Executive Officer

Hong Kong, 25 March 2022

INDEPENDENT AUDITORS' REPORT

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

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

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

OPINION

We have audited the consolidated financial statements of RaffAello-Astrum Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 145, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITORS' REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of trade receivables from margin clients arising from the business of dealing in securities

Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables in Note 19 to the consolidated financial statements.

We identified the impairment of trade receivables from margin clients arising from the business of dealing in securities under the expected credit losses model as a key audit matter due to the use of estimates.

Management performed assessment on the recoverability of the trade receivables from margin clients arising from the business of dealing in securities and the sufficiency of provision for impairment by taking into consideration the credit history of the customers, the quality of the securities held by each client in the trading account maintained with the Group, past collection history, repayment subsequent to reporting period and forward-looking factors require management judgement.

Our audit procedures in relation to impairment of trade receivables from margin clients mainly included:

– obtaining an understanding of the credit assessment process including trading limits and trading approvals granted to clients and the monitoring procedure on margin position of margin accounts;

– assessing the reasonableness of the management's assumptions on the estimated future cash flows after taking into account factors including the value of realisable collateral based on available market information, quality of the securities collateral, past collection history, creditworthiness of the clients and subsequent settlements;

– testing the accuracy of information included in the impairment assessment process, including re-perform the calculation of marginable amount and leverage ratio for margin accounts with outstanding balances, fair value amount of the securities collateral and checking the subsequent settlements; and

– assessing the appropriateness of the expected credit losses model, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in an associate	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of investment in an associate in Note 17 to the consolidated financial statements. We identified the impairment of investment in an associate as a key audit matter because of the significance of the Group's investment in the associate to the consolidated financial statements and because the Group's assessment of impairment of the associate is a judgmental process which requires judgement and estimates concerning the recoverable amount valuation method and assumptions to be applied in determining the recoverable amount. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and inputs to valuation model may result in significant financial impact.	Our audit procedures in relation to impairment of investment in an associate included: – assessing the appropriateness of management's accounting for investment in an associate; – understanding management's assessment of the indicators of impairment and the methods and assumptions used in the valuation model to estimate the recoverable amount of the investment; – discussing the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing; – assessing the competence and independence of the third party valuation specialist engaged by the Group and its experience in conducting similar valuation; and – engaging an auditors' expert to assist our assessment on the appropriateness of the methodology and the reasonableness of the assumptions and critical judgement used by the management based on our knowledge of the business and industry.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of put and repurchase option	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of put and repurchase option in Note 34(c) to the consolidated financial statements. We identified the valuation of put and repurchase option as a key audit matter due to the significance of the judgement and estimates made by management and the subjectivity in determination of the fair value given the lack of availability of market-based data.	Our audit procedures in relation to valuation of put and repurchase option included: – reviewing the agreement for the put and repurchase option to understand the relevant terms and identify any conditions that were relevant to the valuation of the put and repurchase option; – understanding the Group's valuation model for the put and repurchase option; – engaging an auditors' expert to assist us to perform the following procedures: (i) evaluating the appropriateness of the methodology and assumptions based on the industry knowledge; and (ii) evaluating the appropriateness of the key inputs by independently checking to the external data; or by evaluating the rationale of management's judgement on the key inputs; – assessing the competence and independence of the third party valuation specialist engaged by the Group and its experience in conducting similar valuation; and – assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	12,911	47,848
Other income	6	1,888	2,624
Fair value changes on financial assets at fair value through profit or loss		23,134	499
Administrative and other operating expenses		(30,073)	(50,120)
Impairment loss on investment in an associate		(14,661)	–
Finance costs	7	(1,535)	(2,822)
Share of result of an associate		(92)	–
Loss before tax	8	(8,428)	(1,971)
Income tax expense	9	(445)	(150)
Loss and total comprehensive expense for the year attributable to owners of the Company		(8,873)	(2,121)
Loss per share			
– Basic and diluted (HK cents)	13	(0.89)	(0.27)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**7,577**	3,696
Right-of-use assets	15	**3,199**	937
Intangible assets	16	**950**	950
Investment in an associate	17	**22,003**	–
Financial assets at fair value through profit or loss	22	**8,830**	–
Other assets	18	**2,025**	2,080
Deferred tax assets	25	**–**	54
		44,584	7,717
Current assets			
Trade receivables	19	**81,528**	73,546
Deposits, prepayments and other receivables	20	**1,879**	1,250
Tax recoverable		**517**	517
Debt securities at amortised cost	21	**12,358**	–
Financial assets at fair value through profit or loss	22	**26,876**	2,922
Bank balances and cash			
– General accounts and cash	23	**66,420**	94,829
– Trust accounts	23	**99,142**	101,797
		288,720	274,861
Total assets		**333,304**	282,578
Current liabilities			
Trade payables	24	**112,010**	106,934
Other payables and accruals		**1,335**	1,265
Lease liabilities	26	**2,398**	956
		115,743	109,155
Net current assets		**172,977**	165,706
Total assets less current liabilities		**217,561**	173,423
Non-current liabilities			
Deferred tax liabilities	25	**391**	–
Lease liabilities	26	**817**	–
		1,208	–
Net assets		**216,353**	173,423

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	27	**11,930**	8,000
Reserves	28	**204,423**	165,423
Total equity		**216,353**	173,423

The consolidated financial statements on pages 60 to 145 were approved and authorised for issue by the board of directors on 25 March 2022 and signed on its behalf by:

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 27)	Share premium HK$'000 (Note 28)	Special reserve HK$'000 (Note 28)	Share options reserve HK$'000 (Note 28)	Retained profits HK$'000	Total equity HK$'000
Balance at 1 January 2020	8,000	77,179	38,401	–	59,964	183,544
Loss and total comprehensive expense for the year	–	–	–	–	(2,121)	(2,121)
Dividends recognised as distribution during the year (Note 12)	–	–	–	–	(8,000)	(8,000)
Balance at 31 December 2020	8,000	77,179	38,401	–	49,843	173,423
Loss and total comprehensive expense for the year	–	–	–	–	(8,873)	(8,873)
Issue of shares under placing	1,600	11,680	–	–	–	13,280
Transaction costs attributable to issue of shares under placing	–	(229)	–	–	–	(229)
Issue of shares upon acquisition of an associate	2,330	34,950	–	–	–	37,280
Recognition of equity-settled share-based payments	–	–	–	1,472	–	1,472
Lapse of share options	–	–	–	(146)	146	–
Balance at 31 December 2021	11,930	123,580	38,401	1,326	41,116	216,353

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Loss before tax		(8,428)	(1,971)
Adjustments for:			
– Depreciation of property, plant and equipment		2,245	610
– Depreciation of right-of-use assets		1,433	2,810
– Dividends from equity investments		(44)	(51)
– Equity-settled share-based payments		1,472	–
– Fair value changes on financial assets at fair value through profit or loss		(23,629)	–
– Impairment loss on investment in an associate		14,661	–
– Interest expense		1,535	2,822
– Interest income		(364)	(564)
– Share of result of an associate		92	–
Operating cash flows before movements in working capital		(11,027)	3,656
Decrease/(increase) in other assets		55	(42)
Increase in trade receivables		(7,982)	(28,073)
Increase in deposits, prepayments and other receivables		(629)	(43)
Decrease/(increase) in financial assets at fair value through profit or loss		369	(2,922)
Decrease/(increase) in trust accounts		2,655	(35,504)
Increase in trade payables		5,076	37,279
Increase in other payables and accruals		70	262
Cash used in operations		(11,413)	(25,387)
Income tax paid		–	(6,500)
Interest received		6	562
Interest paid		(1,510)	(2,766)
Net cash used in operating activities		(12,917)	(34,091)
Cash flows from investing activities			
Dividends received from equity investments		44	51
Interest received		–	2
Increase in a fixed deposit with original maturity over three months	23	–	(2)
Purchase of financial assets at fair value through profit or loss		(9,000)	–
Purchase of debt securities		(12,000)	–
Purchase of property, plant and equipment	14	(6,126)	(3,666)
Net cash used in investing activities		(27,082)	(3,615)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from financing activities			
Dividends paid	12	–	(8,000)
Proceeds from issue of shares		13,280	–
Transaction costs on issue of shares		(229)	–
Repayment of lease liabilities		(1,461)	(2,878)
Net cash generated from/(used in) financing activities		11,590	(10,878)
Net decrease in cash and cash equivalents		(28,409)	(48,584)
Cash and cash equivalents at the beginning of year		94,720	143,304
Cash and cash equivalents at the end of year	23	66,311	94,720

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

Pursuant to the special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 23 September 2021, the English name and the dual foreign name in Chinese of the Company be changed from "Astrum Financial Holdings Limited" to "RaffAello-Astrum Financial Holdings Limited" and the dual foreign name in Chinese of the Company, being "阿仕特朗金融控股有限公司" has been dispensed. The certificate of incorporation on change of name of the Company was issued by the Registrar of Companies in the Cayman Islands on 28 September 2021 and the certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 21 October 2021.

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

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

HKFRS 16 Leases

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

HKAS 41 Agriculture

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attributable of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments* ("**HKFRS 9**"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

(a) Commission income

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

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

(b) Corporate finance advisory services fee

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

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

(c) Management fee and performance fee

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

(d) Handling fee income

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

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

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

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

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

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

Employee benefits

Retirement benefit costs

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Taxation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Trading rights

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

Derecognition of intangible assets

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Provisions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

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

Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

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

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Offsetting a financial asset and a financial liability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group (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) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Impairment of trade receivables

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

(ii) Impairment of investment in an associate

In considering the impairment that may be required for the Group's associate, the Group assesses whether there exists indicator of impairment of the investment in the associate as at the end of the reporting period and if such indicator exists, the recoverable amount of the associate needs to be determined. In determining the recoverable amount based on value-in-use, the management of the Group is required to estimate the present value of the estimated cash flows expected to arise from the investment taking into factors including discount rate and growth rate used for determining the value-in-use.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iii) Fair value of put and repurchase option

The put and repurchase option held by the Group is not traded in an active market and is measured at fair value based on significant unobservable inputs using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof and changes in assumptions relating to these factors could result in material adjustments to the fair value of the put and repurchase option.

5. REVENUE AND SEGMENT INFORMATION

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

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

Revenue from major services

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

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers		
Commission from brokerage services	**3,358**	3,009
Placing and underwriting commission	**1,351**	32,294
Corporate finance advisory services fee	**1,848**	2,680
Asset management services		
– Fund management and performance fee	**1,737**	2,307
	8,294	40,290
Revenue from other sources		
Interest income from securities and initial public offering financing	**4,617**	7,558
Total revenue	**12,911**	47,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	2021 HK$'000	2020 HK$'000
Timing of revenue recognition from contracts with customers		
– On a point in time basis	**4,709**	35,303
– Over time basis	**3,585**	4,987
	8,294	40,290

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

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

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers during the years ended 31 December 2021 and 2020 are derived from Hong Kong, the place of domicile of the Group's operating subsidiary. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A	**2,066**	N/A[1]
Customer B	**N/A[1]**	23,606

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income from		
– banks	2	559
– debt securities	358	–
– others	4	5
Administrative services income	72	8
Dividends from equity investments	44	51
Management fee income	106	33
Handling fee income	1,299	695
Government subsidies (Note)	–	1,263
Sundry income	3	10
	1,888	2,624

Note:

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

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expense on		
– bank overdrafts and borrowings	1,510	2,766
– lease liabilities	25	56
	1,535	2,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. LOSS BEFORE TAX

	2021 HK$'000	2020 HK$'000
Loss before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	780	630
Commission expenses	27	24,459
Depreciation of property, plant and equipment	2,245	610
Depreciation of right-of-use assets	1,433	2,810
Net foreign exchange gain	(44)	(71)
Expense relating to short-term leases not included in the measurement of lease liabilities	1,137	–
Employee benefits expense:		
Salaries and other benefits	15,524	16,209
Equity-settled share-based payments	1,002	–
Commission to accounts executives	745	386
Contributions to retirement benefit scheme	401	364
Total employee benefits expense, including directors' emoluments (Note 10)	17,672	16,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Hong Kong Profits Tax:		
– Current year	–	–
	–	–
Deferred taxation (Note 25):	445	150
	445	150

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or arising in Hong Kong during the years ended 31 December 2021 and 2020.

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

	2021 HK$'000	2020 HK$'000
Loss before tax	(8,428)	(1,971)
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	(1,391)	(325)
Tax effect of income not taxable for tax purpose	(3,934)	(309)
Tax effect of expenses not deductible for tax purpose	2,675	9
Tax effect of temporary difference not recognised	(161)	4
Tax effect of tax losses not recognised	3,241	860
Utilisation of tax losses previously not recognised	–	(89)
Tax effect of share of result of an associate	15	–
Income tax expense for the year	445	150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. DIRECTORS' EMOLUMENTS

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

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
For the year ended 31 December 2021						
Executive directors						
Mr. Pan	–	2,472	100	18	135	2,725
Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**")	–	1,680	80	18	135	1,913
Mr. Tsang Kin Hung ("**Mr. Tsang**") (Note (i))	–	90	–	5	–	95
Ms. Yu Hoi Ling ("**Ms. Yu**") (Note (ii))	–	110	–	6	–	116
Independent non-executive directors						
Mr. Lau Hon Kee ("**Mr. Lau**")	132	–	–	–	–	132
Mr. Sum Loong ("**Mr. Sum**") (Note (iii))	132	–	–	–	–	132
Ms. Yue Chung Sze Joyce ("**Ms. Yue**") (Note (iv))	33	–	–	–	–	33
Mr. Lee Tak Cheung Vincent ("**Mr. Lee**") (Note (v))	99	–	–	–	–	99
	396	4,352	180	47	270	5,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
For the year ended 31 December 2020						
Executive directors						
Mr. Pan	–	2,472	202	18	–	2,692
Mr. Kwan	–	1,860	156	18	–	2,034
Independent non-executive directors						
Mr. Lee	132	–	–	–	–	132
Mr. Lau	132	–	–	–	–	132
Mr. Sum	22	–	–	–	–	22
Mr. Chan Chun Hong (Note (vi))	110	–	–	–	–	110
	396	4,332	358	36	–	5,122

Notes:

(i) Mr. Tsang was appointed as an executive director effective on 30 September 2021.

(ii) Ms. Yu was appointed as an executive director effective on 25 October 2021.

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

(iv) Ms. Yue was appointed as an independent non-executive director effective on 24 September 2021.

(v) Mr. Lee was resigned as an independent non-executive director effective on 24 September 2021.

(vi) Mr. Chan Chun Hong was resigned as an independent non-executive director effective on 1 November 2020.

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

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

During the year ended 31 December 2021, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 29 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. DIRECTORS' EMOLUMENTS (Continued)

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

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2021 (2020: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2020: two) of them are directors of the Company whose emoluments are set out in Note 10 above. Details of the emoluments in respect of the remaining three (2020: three) highest paid individuals are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and other benefits in kind	**2,562**	2,488
Discretionary bonuses	**195**	265
Contributions to retirement benefit scheme	**54**	54
	2,811	2,807

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

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

During the year ended 31 December 2021, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year		
First interim dividend paid of Nil (2020: HK$0.005) per ordinary share	–	4,000
Second interim dividend paid of Nil (2020: HK$0.0025) per ordinary share	–	2,000
Third interim dividend paid of Nil (2020: HK$0.0025) per ordinary share	–	2,000
	–	8,000

No dividend was paid, declared or proposed by the directors of the Company for the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period.

No final dividend was proposed by the directors of the Company for the year ended 31 December 2020.

13. LOSS PER SHARE

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(8,873)	(2,121)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	995,695,890	800,000,000

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would have an anti-dilutive effect for the year ended 31 December 2021.

The computation of diluted loss per share was equal to the basic loss per share as there was no potential ordinary share in issue during the year ended 31 December 2020.

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For the year ended 31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles and yachts HK$'000	Total HK$'000
Cost					
At 1 January 2020	2,060	180	632	1,000	3,872
Additions	–	–	20	3,646	3,666
At 31 December 2020	2,060	180	652	4,646	7,538
Additions	–	–	1,074	5,052	6,126
At 31 December 2021	**2,060**	**180**	**1,726**	**9,698**	**13,664**
Accumulated depreciation					
At 1 January 2020	1,907	169	510	646	3,232
Depreciation expense	114	6	64	426	610
At 31 December 2020	2,021	175	574	1,072	3,842
Depreciation expense	39	3	134	2,069	2,245
At 31 December 2021	**2,060**	**178**	**708**	**3,141**	**6,087**
Carrying amounts					
At 31 December 2021	**–**	**2**	**1,018**	**6,557**	**7,577**
At 31 December 2020	39	5	78	3,574	3,696

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. RIGHT-OF-USE ASSETS

	Office premises HK$'000
Cost	
At 1 January 2020 and 31 December 2020	5,621
Additions	3,695
Written off	(5,621)
At 31 December 2021	**3,695**
Accumulated depreciation	
At 1 January 2020	1,874
Depreciation expense	2,810
At 31 December 2020	4,684
Depreciation expense	1,433
Written off	(5,621)
At 31 December 2021	**496**
Carrying amounts	
At 31 December 2021	**3,199**
At 31 December 2020	937

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

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases	**1,137**	–
Total cash outflow for leases	**2,598**	2,878
Additions to right-of-use assets	**3,695**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. INTANGIBLE ASSETS

	Trading rights HK$'000
Cost and carrying amounts	
At 1 January 2020, 31 December 2020 and 31 December 2021	950

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

For the purpose of impairment testing on trading rights, the recoverable amount has been determined based on replacement cost valuation method, classified as Level 2 of the fair value hierarchy, and no impairment was made as at 31 December 2021 (2020: Nil).

17. INVESTMENT IN AN ASSOCIATE

	2021 HK$'000
Cost of unlisted investment in an associate	36,756
Share of post-acquisition loss and other comprehensive expense	(92)
	36,664
Less: Impairment loss recognised on investment in an associate	(14,661)
	22,003

Details of the Group's associate as at 31 December 2021 are as follows:

Name of entity	Country of incorporation/place of business	Particulars of issued shares held	Proportion of ownership interest held by the Group	Principal activity
RS (BVI) Holdings Limited	BVI	Ordinary shares	25%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. INVESTMENT IN AN ASSOCIATE (Continued)

The associate is accounted for using the equity method in these consolidated financial statements.

Impairment assessment of investment in an associate

Due to the delay in progress of project pipeline of the associate and deterioration of its business affected by the impact of COVID-19 pandemic, the management of the Group concluded that there was indication for impairment of the Group's investment in the associate and conducted impairment assessment on the investment in the associate with reference to valuation performed by an independent professional valuer. The impairment test was performed by comparing the recoverable amount determined by a value-in-use calculation, with the carrying amount of the investment in the associate as at 31 December 2021. The value-in-use calculation used cash flow projections based on the financial budget of the associate approved by the management of the associate covering a four-year period with the cash flows beyond the four-year period being extrapolated using the estimated growth rate of 3.0% per annum and the pre-tax discount rate of 10.56%. Other key assumptions for the value-in-use calculated were the budgeted revenue and budgeted operating expenses during the four-year financial budget period, which were determined based on the associate's past performance and management expectations for the market development.

Based on the results of the assessment, management of the Group determined that the recoverable amount of the investment in an associate was lower than the carrying amount and an impairment loss of approximately HK$14,661,000 was recognised during the year ended 31 December 2021.

Summarised financial information of the associate

Summarised financial information of the associate, adjusted for any differences in accounting policies are disclosed below.

	2021 HK$'000
Current assets	19,907
Non-current assets	523
Current liabilities	(3,648)
Non-current liabilities	–
Revenue for the period*	15
Loss for the period*	(367)
Other comprehensive expense for the period*	–
Total comprehensive expense for the period*	(367)

* The period from acquisition date 30 September 2021 to 31 December 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. INVESTMENT IN AN ASSOCIATE (Continued)

Reconciled to the Group's investment in the associate

Reconciliation of the above summarised financial information to the carrying amount of the investment in an associate recognised in the consolidated financial statements:

	2021 HK$'000
Net assets of the associate	16,782
Proportion of the Group's ownership investment in the associate	25%
The Group's share of net assets of the associate	4,195
Goodwill	32,469
Impairment loss recognised	(14,661)
Carrying amount of the Group's investment in an associate	22,003

On 30 September 2021, the Group completed the acquisition of 25% equity interest in RS (BVI) Holdings Limited (the "**Sale Shares**"), whose wholly-owned subsidiary, RaffAello Securities (HK) Limited (the "**RSL**"), is principally engaged in securities broking, brokering introductory services and underwriting services in Hong Kong. The principal activities of RSL are considered as strategic to the Group's activities.

The consideration for the acquisition was HK$32,853,000, which was satisfied by the allotment and issue of an aggregate of 233,000,000 ordinary shares of the Company (the "**Consideration Shares**") at issue price of HK$0.141 per share with all Consideration Shares were subjected to the escrow arrangement according to the profit guarantee requirement set out in the sale and purchase agreement. The fair value of the Consideration Shares at the date of acquisition amounted to HK$37,280,000 based on the closing market price of HK$0.16 per ordinary share at the date of acquisition. No cash was paid for the acquisition.

Pursuant to the sale and purchase agreement, the vendor irrevocably and unconditionally warrants and guarantees to the Company that the profit after tax of RSL to be reported in accordance with HKFRS as shown in its audited financial statements for the year ending 31 March 2022 (the "**Audited Full-Year Financial Statements**"), excluding any extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, will not be less than HK$15,500,000 (the "**Guaranteed Profits**"). As security for the performance of the obligations of the vendor, the vendor and the Company jointly appointed escrow agent, which holds the share certificate(s) in relation to the Consideration Shares subject to the terms and conditions under the escrow letter and the option deed entered into between the Company, the vendor and the escrow agent.

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17. INVESTMENT IN AN ASSOCIATE (Continued)

The Profit Guarantee

If the profit after tax of RSL reported in the Audited Full-Year Financial Statements, excluding any extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, equal to or exceed the amount of the Guaranteed Profits, the vendor and the Company shall jointly procure the escrow agent to release the share certificate(s) for the 233,000,000 Consideration Shares, which are held in escrow by the escrow agent to the vendor within three (3) business days from the date of receipt by the escrow agent of the Audited Full-Year Financial Statements.

If the profit after tax of RSL reported in the Audited Full-Year Financial Statements, excluding any extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, is less than the Guaranteed Profits, the Put and Repurchase Option (as defined below) may be exercised by the Company, subject to and upon the terms of the option deed agreement.

The Put and Repurchase Option

The vendor irrevocably granted to the Company the option (the "**Put and Repurchase Option**") to (i) sell all the Sale Shares to the vendor and require the vendor to purchase all the Sale Shares from the Company; and (ii) repurchase all the Consideration Shares from the vendor and require the vendor to sell all the Consideration Shares within the period commencing from the issue date of the Audited Full-Year Financial Statements (the "**Put Option Designated Date**") and ending on a date falling 60 calendar days from the Put Option Designated Date if the profit after tax of RSL as shown in the Audited Full-Year Financial Statements, excluding extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, as shown in the Audited Full-Year Financial Statements is less than the Guaranteed Profits, subject to the fulfillment of the conditions precedent set out in the option deed agreement.

Goodwill of approximately HK$32,469,000 was arising on the acquisition, and included within the carrying amount of investment in an associate, which details as follows:

	HK$'000
Fair value of Consideration Shares	37,280
Less: Fair value of the Put and Repurchase Option	(524)
Less: Share of the fair value of net assets acquired	(4,287)
Goodwill	32,469

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For the year ended 31 December 2021

18. OTHER ASSETS

	2021 HK$'000	2020 HK$'000
Deposits with the Stock Exchange		
– Compensation fund	50	50
– Fidelity fund	50	50
– Stamp duty deposit	30	5
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("**HKSCC**")	50	50
Admission fee paid to HKSCC	50	50
Mainland security deposit with HKSCC	295	375
Statutory deposits and deposits with HKFE Clearing Corporation Limited	1,500	1,500
	2,025	2,080

19. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	604	1,379
Clients – margin	58,935	44,895
Clearing house	20,525	3,882
Subscriptions of new shares in initial public offering	–	22,862
	80,064	73,018
Dealing in futures contracts		
Clearing house	1,173	75
Corporate finance advisory services	75	130
Asset management services	216	323
	81,528	73,546

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

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

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For the year ended 31 December 2021

19. TRADE RECEIVABLES (Continued)

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

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. As at 31 December 2021, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$289,488,000 (2020: HK$160,018,000). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. As at 31 December 2021, the market value of the pledged securities of each individual trading accounts exceeded its respective outstanding margin balance. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis of margin loans and subscriptions of new shares in initial public offering is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of this business.

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

	2021	2020
	HK$'000	HK$'000
0–30 days	**22,302**	5,336

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. TRADE RECEIVABLES (Continued)

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

	2021 HK$'000	2020 HK$'000
0–30 days	182	403
31–60 days	109	50
Total	291	453

As at 31 December 2021, included in the Group's trade receivables arising from corporate finance advisory services and asset management services are debtors with aggregate carrying amount of approximately HK$184,000 (2020: HK$130,000) which are past due within three months as at the reporting date. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in Note 34.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Deposits	531	496
Prepayments	851	484
Other receivables	497	270
	1,879	1,250

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For the year ended 31 December 2021

21. DEBT SECURITIES AT AMORTISED COST

	2021 HK$'000	2020 HK$'000
Debt securities – unlisted	12,358	–

The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

As at 31 December 2021, the interest rates of the debt securities are 6.0% per annum (2020: Nil), payable annually, and the securities are within one-year maturity.

Details of impairment assessment are set out in Note 34.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Financial assets at FVTPL		
Equity securities listed in Hong Kong	2,553	2,922
Units in unlisted investment fund outside Hong Kong	8,830	–
Put and Repurchase Option in relation to acquisition of an associate (Note 17)	24,323	–
	35,706	2,922

	2021 HK$'000	2020 HK$'000
Analysed for reporting purposes as:		
Current assets	26,876	2,922
Non-current assets	8,830	–
	35,706	2,922

The Group invested in an investment fund and there is no unfilled capital commitment as at 31 December 2021. This investment fund invests in mainly listed equity securities with the primary objectives to provide the investors with capital growth.

Details of disclosure for fair value measurement are set out in Note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. BANK BALANCES AND CASH

	2021 HK$'000	2020 HK$'000
Bank balances and cash:		
(i) General accounts and cash	66,420	94,829
(ii) Trust accounts	99,142	101,797
	165,562	196,626
Analysis of balances of cash and cash equivalents:		
General accounts and cash	66,420	94,829
Less: fixed deposit with original maturity over three months	(109)	(109)
Cash and cash equivalents in the consolidated statement of cash flows	66,311	94,720

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

The general accounts and cash comprise cash held by the Group, bank balances which bear interest at commercial rates and a fixed deposit of approximately HK$109,000 (2020: HK$109,000) with an original maturity of over three months bear interest at 0.14% (2020: 0.04%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	37,469	53,175
Clients – margin	71,960	51,523
Clearing house	–	288
	109,429	104,986
Dealing in futures contracts		
Clients	2,581	1,948
	112,010	106,934

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

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

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

As at 31 December 2021, the trade payables amounting to approximately HK$99,142,000 (2020: HK$101,797,000) were payable to clients in respect of the trust and segregated bank balances received which were held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. DEFERRED TAXATION

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

	Decelerated/ (accelerated) tax depreciation HK$'000
At 1 January 2020	204
Charged to profit or loss (Note 9)	(150)
At 31 December 2020	54
Charged to profit or loss (Note 9)	(445)
At 31 December 2021	**(391)**

As at 31 December 2021, the Group has unused tax losses of approximately HK$26,547,000 (2020: HK$6,906,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in relation to these tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

26. LEASE LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Lease liabilities payable:		
Within one year	**2,398**	956
Within a period of more than one year but not more than two years	**817**	–
	3,215	956
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,398)**	(956)
Amount due for settlement after 12 months shown under non-current liabilities	**817**	–

The Group has a lease contract for its office premises used in its operations. The lease contract does not include extension option and termination options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. SHARE CAPITAL

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

	Number of ordinary shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2020 and 31 December 2020	800,000,000	8,000
Shares issued under placing (Note (i))	160,000,000	1,600
Shares issued for acquisition of an associate (Note (ii))	233,000,000	2,330
At 31 December 2021	1,193,000,000	11,930

Notes:

(i) On 24 February 2021, the Company allotted and issued 160,000,000 ordinary shares by way of placing, at a placing price of HK$0.083 per ordinary share for cash. The gross proceeds from the placing amounted to HK$13,280,000, among which, HK$1,600,000 were credited to the share capital of the Company and HK$11,680,000 (before issuing expenses) were credited to share premium of the Company.

(ii) Upon completion of the acquisition of an associate as disclosed in Note 17, the Company allotted and issued 233,000,000 ordinary shares as part of the consideration of the acquisition. The issued ordinary shares were all credited as fully paid, and the amount of HK$2,330,000, representing the par value of the ordinary share issued, was credited to share capital.

All shares allotted and issued during the year ended 31 December 2021 rank *pari passu* in all respect with the existing issued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. RESERVES

Share premium

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

Special reserve

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

Share options reserve

Share options reserve arises from equity-settled share-based payments granted to employees or eligible grantees of the Group.

29. SHARE OPTION SCHEME

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE OPTION SCHEME (Continued)

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 72,000,000 (2020: Nil), representing approximately 6.0% (2020: Nil) of the shares of the Company in issue at that date. Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. SHARE OPTION SCHEME (Continued)

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

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

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

During the year ended 31 December 2021, 80,000,000 share options were granted under the Scheme on 4 January 2021 and the share options are fully vested at the date of grant and the exercise period shall not be more than 5 years from the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. SHARE OPTION SCHEME (Continued)

The following table discloses the movements of the share options granted and lapsed under the Scheme during the year ended 31 December 2021:

				Number of share options			
Category of grantee	Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2021	Granted during the year	Lapsed during the year	Outstanding at 31 December 2021
Directors	4 January 2021	4 January 2021 to 3 January 2026	HK$0.096	–	16,000,000	–	16,000,000
Employees	4 January 2021	4 January 2021 to 3 January 2026	HK$0.096	–	40,000,000	(8,000,000)	32,000,000
Other eligible participants	4 January 2021	4 January 2021 to 3 January 2026	HK$0.096	–	24,000,000	–	24,000,000
Total				–	80,000,000	(8,000,000)	72,000,000
Exercisable at the end of the year							72,000,000
Weighted average exercise price				N/A	HK$0.096	HK$0.096	HK$0.096

During the year ended 31 December 2021, 8,000,000 share options granted under the Scheme lapsed upon the resignation of the employees of the Group and no share options was exercised or cancelled. No share option was granted, exercised, cancelled or lapsed during the year ended 31 December 2020 and there were no outstanding share options as at 31 December 2020.

The remaining life of the share option granted on 4 January 2021 under the Scheme as at 31 December 2021 was approximately 4.0 years.

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For the year ended 31 December 2021

29. SHARE OPTION SCHEME (Continued)

As of the grant date, the fair value of the share options granted on 4 January 2021 was approximately HK$270,000, HK$732,000 and HK$470,000 for directors, employees and other eligible participants respectively. The fair values were estimated as at 4 January 2021, being the date of grant, using the Binomial Option Pricing Model and taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the estimation of the fair value are as follows:

Category of grantee

Share price at grant date	HK$0.094
Exercise price	HK$0.096
Exercise multiple	
– Directors	2.8
– Employees	2.2
– Other eligible participants	–
Expected volatility	43.66%
Risk-free interest rate	0.27%
Dividend yield	9.58%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

For the year ended 31 December 2021, the Group recognised equity-settled share-based payments expense in consolidated profit or loss in aggregate of approximately HK$1,472,000 in respect of the Scheme (2020: Nil).

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For the year ended 31 December 2021

30. RETIREMENT BENEFIT SCHEME

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

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

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$401,000 (2020: HK$364,000) for the year ended 31 December 2021 and represent contributions paid or payable to the MPF Scheme by the Group at rates specified in the rules of the scheme. During the years ended 31 December 2021 and 2020, the Group had no forfeited contributions under the MPF Scheme and there were no forfeited contributions available for the Group to reduce its existing level of contributions to the MPF Scheme as at 31 December 2021 and 2020.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000
At 1 January 2020	3,778
Financing cash flows	
– Repayment of lease liabilities	(2,878)
Non-cash changes	
– Interest expenses	56
At 31 December 2020	**956**
Financing cash flows	
– Repayment of lease liabilities	**(1,461)**
Non-cash changes	
– Lease modification	**3,695**
– Interest expenses	**25**
At 31 December 2021	**3,215**

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For the year ended 31 December 2021

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the years ended 31 December 2021 and 2020, the Group entered into the following significant transactions with related parties:

Related party	Nature of transaction	Notes	2021 HK$'000	2020 HK$'000
Mr. Pan	Commission income	(a)(c)	79	118
	Interest income	(b)(d)	107	241
Close family members of Mr. Pan	Commission income	(a)(c)	85	73
	Interest income	(b)(d)	530	1,378
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Commission income	(a)(c)	39	46
	Interest income	(b)(d)	45	85
Mr. Kwan	Commission income	(a)(c)	6	16
	Interest income	(b)(d)	53	57
A close family member of Mr. Kwan	Interest income	(b)(d)	6	–

Notes:

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

(b) The interest income received from (i) securities financing was based on rates ranging from 2.5% to 11.0% per annum; and (ii) initial public offering financing were based on the rates which substantially in line with those normally received by the Group from third parties.

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

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

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For the year ended 31 December 2021

32. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties

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

Related party	Nature of account	2021 HK$'000	2020 HK$'000
Mr. Pan	Margin account (Note (a))	740	1,658
	Futures account	(417)	(208)
Mr. Kwan	Margin account (Note (b))	231	263
Close family members of Mr. Pan	Margin account (Note (c))	14,726	15,992
	Cash account (Note (f))	(18)	(209)
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Margin account (Note (e))	720	(17)
A close family member of Mr. Kwan	Margin account (Note (d))	28	–
Mr. Fung Tat Hung Ricky, a member of the key management personnel	Margin account	(52)	(995)
	Futures account	(801)	(1)
Mr. Lam Wing Tai, a member of the key management personnel	Margin account	(1,584)	–
	Futures account	(301)	–
Mr. Mak Yat Tang Anthony, a member of the key management personnel	Margin account	–	(59)

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32. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties (Continued)

Notes:

(a) The maximum outstanding balance during the year ended 31 December 2021 was approximately HK$2,982,000 (2020: HK$3,006,000).

(b) The maximum outstanding balance during the year ended 31 December 2021 was approximately HK$1,020,000 (2020: HK$644,000).

(c) The maximum outstanding balance during the year ended 31 December 2021 was approximately HK$16,377,000 (2020: HK$16,778,000).

(d) The maximum outstanding balance during the year ended 31 December 2021 was approximately HK$28,000 (2020: Nil).

(e) The maximum outstanding balance during the year ended 31 December 2021 was approximately HK$1,532,000 (2020: Nil).

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

(iii) Compensation of key management personnel

Key management includes executive directors and senior management of the Group. The remuneration of key management during the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and other benefits in kind	**5,934**	5,619
Contributions to retirement benefit scheme	**84**	72
	6,018	5,691

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

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

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33. CAPITAL RISK MANAGEMENT

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

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

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

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

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**262,501**	273,018
Financial assets at FVTPL – mandatorily measured at FVTPL	**35,706**	2,922
Financial liabilities		
Financial liabilities at amortised cost	**116,560**	109,155

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances as at and for the years ended 31 December 2021 and 2020 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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

(ii) Interest rate risk management

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

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

The sensitivity analyses have been determined based on the exposure to interest rate risk in respect of the trade receivables of margin clients at the reporting date. If the interest rate of the trade receivables of margin clients had been 50 basis points higher/lower, the Group's loss before tax for the year ended 31 December 2021 would decrease/increase by approximately HK$295,000 (2020: HK$224,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risk

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

The sensitivity analyses have been determined based on the exposure to equity price risk in respect of the listed equity securities and unlisted investment fund at the reporting date. If the prices of the respective equity securities and investment fund had been 10% higher/lower, the Group's loss before tax for the year ended 31 December 2021 would decrease/increase by approximately HK$1,138,000 (2020: HK$292,000).

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

Credit risk and impairment assessment

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

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

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

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For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

As at 31 December 2021, the Group's concentration of credit risk on the margin receivables from top five clients accounted for approximately 53% (2020: 51%) of the total trade receivables. The Group has closely monitored the recoverability of the advances to these clients, ensured adequate collateral is received from these clients and taken effective measures to ensure timely collection of outstanding balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

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

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime ECL for trade receivables for corporate finance services and asset management services. To measure the expected credit losses, these trade receivables have been based on past due status, credit rating, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. On that basis, the Group assessed that there is no loss allowance recognised during the years ended 31 December 2021 and 2020.

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

The Group only invests in debt securities issued from companies listed in Hong Kong. The management considered the credit risk on debt securities have not increased significantly since initial recognition, therefore, the management determined the expected credit losses based on 12-month ECL. The Group measured the expected credit loss of these debt securities based on credit rating of the issuer, probability of default and are adjusted with forward-looking adjustment. The Group has assessed the expected credit losses of the debt securities is immaterial and no loss allowance recognised during the year ended 31 December 2021.

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34. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management

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

Liquidity tables

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

	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities				
As at 31 December 2021				
Trade payables	**112,010**	**–**	**112,010**	**112,010**
Other payables and accruals	**1,335**	**–**	**1,335**	**1,335**
Lease liabilities	**2,459**	**820**	**3,279**	**3,215**
	115,804	**820**	**116,624**	**116,560**
As at 31 December 2020				
Trade payables	106,934	–	106,934	106,934
Other payables and accruals	1,265	–	1,265	1,265
Lease liabilities	959	–	959	956
	109,158	–	109,158	109,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

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

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

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

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

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

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 December 2021				
Financial assets at FVTPL				
Listed equity securities	2,553	–	–	2,553
Units in unlisted investment fund	–	8,830	–	8,830
Put and Repurchase Option	–	–	24,323	24,323
	2,553	8,830	24,323	35,706

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Basis for recurring fair value measurement categorised within Level 1

As at 31 December 2021 and 2020, the fair value of the listed equity securities is based on quoted market price in an active market.

Valuation techniques and input for recurring fair value measurement categorised within Level 2

As at 31 December 2021, the fair value of the investment in the unlisted investment fund is based on the net assets value of the fund, which takes into consideration the fair value of the underlying assets and liabilities of the unlisted investment fund. The units are redeemable at the option of the unitholder based on net asset value, subject to conditions.

Valuation techniques and input for recurring fair value measurement categorised within Level 3

Information about Level 3 fair value measurements as at 31 December 2021

The fair values of Level 3 financial assets are mainly derived from an unobservable data. In estimating the fair value of the financial assets under Level 3, the Group engage an independent professional valuer to perform the valuation, which was reviewed and approved by the management of the Group.

	As at 31 December 2021				
	Fair value HK$'000	**Valuation technique**	**Unobservable inputs**	**Input values**	**Sensitivity analysis**
Put and Repurchase Option	24,323	Monte Carlo simulation model	Expected volatility (Note (i))	93.61% for the associate and 88.10% for the Company	An increase in expected volatility would result in an increase in the fair value.
			Estimated equity value of the associate (Note (ii))	HK$22,003,000	An increase in estimated equity value of the associate would result in a decrease in the fair value.
			Equity growth (Note (iii))	0.35%	An increase in equity growth would result in an increase in the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Valuation techniques and input for recurring fair value measurement categorised within Level 3 (Continued)

Information about Level 3 fair value measurements as at 31 December 2021 (Continued)

Notes:

(i) A 5% increase/decrease in expected volatility, with all other variables held constant, would have decreased/increased the Group's loss before tax by approximately HK\$643,000/HK\$649,000.

(ii) A 5% increase/decrease in estimated equity value of the associate, with all other variables held constant, would have increased/decreased the Group's loss before tax by approximately HK\$928,000/HK\$936,000.

(iii) A 5% increase/decrease in equity growth, with all other variables held constant, would have decreased/increased the Group's loss before tax by approximately HK\$345,000/HK\$354,000.

During the years ended 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

The directors consider that the carrying amounts of the Group's other financial assets and financial liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

(d) Financial assets and financial liabilities offsetting

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

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

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

As at 31 December 2021

	Gross amounts of recognised financial assets/ (liabilities) HK$'000	Gross amounts of recognised financial assets/ (liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received HK$'000	
Financial assets						
Trade receivables						
– Clearing house	22,784	(2,259)	20,525	–	–	20,525
Financial liabilities						
Trade payables						
– Clearing house	(2,259)	2,259	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December 2020

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

The "net amounts of financial assets/(liabilities) presented in the consolidated statement of financial position", as set out above, represented "trade receivables and trade payables arising from dealing in securities – clearing house" in Notes 19 and 24 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Investments in subsidiaries	71,471	70,426
Investment in an associate	22,003	–
	93,474	70,426
Current assets		
Prepayments and other receivables	316	380
Amounts due from subsidiaries	87,772	72,075
Financial assets at fair value through profit or loss	26,876	2,922
Bank balances	3,521	7,201
	118,485	82,578
Total assets	211,959	153,004
Current liabilities		
Other payables and accruals	424	174
	424	174
Net current assets	118,061	82,404
Net assets	211,535	152,830
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	11,930	8,000
Reserves (Note)	199,605	144,830
Total equity	211,535	152,830

The Company's statement of financial position was approved and authorised for issue by the board of directors on 25 March 2022 and signed on its behalf by:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Note:

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

	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2020	77,179	63,825	–	3,180	144,184
Profit and total comprehensive income for the year	–	–	–	8,646	8,646
Dividends recognised as distribution during the year	–	–	–	(8,000)	(8,000)
Balance at 31 December 2020	77,179	63,825	–	3,826	144,830
Profit and total comprehensive income for the year	–	–	–	7,068	7,068
Issue of shares under placing	11,680	–	–	–	11,680
Transaction costs attributable to issue of shares under placing	(395)	–	–	–	(395)
Issue of shares upon acquisition of an associate	34,950	–	–	–	34,950
Recognition of equity-settled share-based payments	–	–	1,472	–	1,472
Lapse of share options	–	–	(146)	146	–
Balance at 31 December 2021	**123,414**	**63,825**	**1,326**	**11,040**	**199,605**

Special reserve

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

Share options reserve

Share options reserve arises from equity-settled share-based payments granted to employees or eligible grantees of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

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

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**12,911**	47,848	45,431	49,958	58,118
(Loss)/profit before tax	**(8,428)**	(1,971)	14,143	26,785	27,597
Income tax expense	**(445)**	(150)	(2,131)	(4,300)	(4,732)
(Loss)/profit and total comprehensive (expense)/ income for the year	**(8,873)**	(2,121)	12,012	22,485	22,865
(Loss)/profit and total comprehensive (expense)/ income for the year attributable to:					
Owners of the Company	**(8,873)**	(2,121)	12,030	22,485	22,865
Non-controlling interests	**–**	–	(18)	–	–
	(8,873)	(2,121)	12,012	22,485	22,865

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**333,304**	282,578	263,963	226,625	266,791
Total liabilities	**(116,951)**	(109,155)	(80,419)	(43,094)	(93,745)
Total equity	**216,353**	173,423	183,544	183,531	173,046