



2021

Annual Report

ORIENT

東方滙財證券國際控股有限公司

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8001

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Shu Chung
Ms. Lee Nga Ching

Independent non-executive Directors

Mr. Siu Kin Wai
Mr. Tang Chung Wai
Ms. Chan Man Yi

AUTHORISED REPRESENTATIVES

Ms. Lee Nga Ching
Mr. Yip Yat Sing

AUDIT COMMITTEE MEMBERS

Mr. Siu Kin Wai (*Chairman*)
Mr. Tang Chung Wai
Ms. Chan Man Yi

NOMINATION COMMITTEE MEMBERS

Mr. Siu Kin Wai (*Chairman*)
Mr. Tang Chung Wai
Ms. Chan Man Yi

REMUNERATION COMMITTEE MEMBERS

Mr. Siu Kin Wai (*Chairman*)
Mr. Tang Chung Wai
Ms. Chan Man Yi

COMPLIANCE OFFICER

Ms. Lee Nga Ching

COMPANY SECRETARY

Mr. Yip Yat Sing
Mr. Huen, Felix Ting Cheung

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3101 & 3117-3118, 31/F.
China Merchants Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

STOCK CODE

8001

WEBSITE OF THE COMPANY

www.orientsec.com.hk

EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of the Company, I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

REVIEW

In the 2021 financial year, the Group recorded a decrease in revenue of approximately HK\$12.6 million or 21.2% to approximately HK\$46.7 million compared with the 2020. Such decrease was mainly attributable to the decrease in service income from provision of underwriting and placing services by approximately HK\$12.1 million.

Regarding the result for the year, the Group recorded a profit for the year of approximately HK\$17.9 million in 2021, which was very close to the net profit of HK\$16.9 million in 2020.

From the liquidity perspective, due to the general environment was heavily affected by COVID-19, the Group has a relatively large balance of receivables and the Group is taking necessary actions to turn them back into cash and bank balances to ensure current working capital level is adequate to operate the current business and fulfil regulatory requirements over securities business.

At the same time, the Group will keep work hard and explore business opportunities on an on-going basis in order to achieve better financial results of the Group.

OUTLOOK

Going forward to 2022, the Group will try making use of existing resources to develop current and potentially new businesses with the aim to further raise the profit of the Group through capturing opportunities available, including but not limit to Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under SFO. In the meantime, the Group will closely monitor the impact of COVID-19 brought to the Group from operational and financial perspective and to the general environment and take necessary actions.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

On behalf of the Board,

Lee Nga Ching
Executive Director

Hong Kong, 29 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an integrated financial service provider licensed to (i) conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) and (ii) money lending business, through its subsidiaries.

Over the years, the Group aims to establish an integrated platform for providing a wide range of financial services to its clients. During the year under review, the principal activities of the Group mainly include (a) placing and underwriting services; (b) securities dealing and brokerage services; and (c) secured debt financing services. During the year, the total revenue of the Group decreased from approximately HK\$59.2 million for the year ended 31 December 2020 to approximately HK\$46.7 million for the year ended 31 December 2021, representing a decrease of approximately 21.2%. The decrease in revenue was mainly attributable to the decrease in revenue from placing and underwriting services as a result of the COVID-19 pandemic (“COVID-19”) delayed the progress of most originally planned initial public offerings (“IPOs”) projects and fund-raising exercise. Meanwhile, due to an effective cost control implemented by the Group’s management, the Group secured a stable profit for the year attributable to owners of the Company of approximately HK\$17.9 million for the year ended 31 December 2021, representing a slight increase of approximately 6.6% as compared to the corresponding year.

The Directors considered that the ongoing COVID-19 continued to impact the industry performance over the review period. The Hang Seng Index has been kept underperformed since the first quarter of 2020 and was plunged to a six-year low by dropping below 20,000 recently. Such declining index level implies the inactive trading activities of the capital market due to pessimistic business sentiment, hindering the development of the financial services industry in Hong Kong. In addition, the total fund raised by IPOs for the year 2021 has been significantly decreased by 17.82%, while the number of newly listed companies in the Stock Exchange for the year 2021 has also been decreased by 36.36% as compared to the year 2020. The drop in fundraising activities also implies that the outbreak of COVID-19 has reduced the investors’ motivation to subscribe for securities of new issuers in the Hong Kong’s capital market as they tend to be more prudent in such volatile environment. After certain review of the financial market, the Directors are of the view that the aforementioned external factors are beyond the Group’s control and therefore its financial performance is susceptible to fluctuation as a result.

PROSPECTS

Looking forward, the business and operation environments of the Group will remain challenging. Having considered that the economic disruption caused by COVID-19 is devastating, it is anticipated that the economic instability will continue with uncertainty over the Hong Kong economic growth and the overall market is expected to be volatile.

Despite the abovementioned factors which are beyond the Group’s control, it is the intention of the Directors to further expand its existing business by way of organic growth and/or through investment or cooperation with strategic market participants. In light of this, the management of the Group has been kept focused on leveraging its strengths of long development history in the financial sector to capture further investment opportunities in other financial related services business, which include but is not limited to the Type 6 (advising on corporate finance) and the Type 9 (asset management) regulated activities under the SFO, so as to diversify and broaden its revenue base in order to enhance the Group’s financial performance and generate value to its shareholders.

The Group will continue to strengthen its market position and remain vigilant to challenges in the future and will closely monitor the COVID-19 and proactively respond to its impact on the Group’s financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly generated from (i) commission income from the brokerage services; (ii) commission income from the underwriting and placing services; (iii) interest income from the financing services, (iv) interest income from the money lending services and (v) service income from provision of brokerage-related services.

The total revenue for 2021 was approximately HK\$46.7 million (2020: HK\$59.3 million) which represented a decrease of approximately HK\$12.6 million or 21.2% compared with 2020. Such decrease was mainly attributable to the decrease in service income from provision of underwriting and placing services by HK\$12.1 million.

The reasons of decrease and increase in income from various services were mentioned above under the Business Review and Outlook section.

The Group's revenue represents:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Revenue recognised under HKFRS 9 | | |
| — Interest income from margin financing services | 7,786 | 7,168 |
| — Interest income from money lending services | 34,116 | 32,209 |
| Revenue recognised at a point in time under HKFRS 15 | | |
| — Commission income from brokerage services | 1,672 | 2,159 |
| — Underwriting and placement income | 3,130 | 15,206 |
| — Service income | — | 2,550 |
| | 46,704 | 59,292 |

As at 31 December 2021, the Group had 634 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2020: 662 active securities accounts).

Staff costs

The total staff costs for 2021 was approximately HK\$9.3 million (2020: HK\$10.9 million). The drop was mainly due to saving of staff salaries through natural staff resignations and reversal of provision of unused annual leave.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Commission paid to staff | 260 | 409 |
| Directors' emoluments and staff salaries, bonus and allowances | 8,830 | 9,795 |
| Other staff costs including MPF and insurance | 250 | 742 |
| | 9,340 | 10,946 |

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The total administrative expenses for 2021 was approximately HK\$10.4 million (2020: HK\$12.9 million). Such decrease was due to aggregation of various expenses variances, in particular of saving of rental expenses.

Income tax expenses

The income tax expense for 2021 was approximately HK\$5.3 million (2020: HK\$4.3 million) and such increase was due to the increase of assessable profits under Hong Kong Profits Tax.

Profit for the year

The Group recorded a net profit attributable to owners of the Company of approximately HK\$17.9 million for 2021 (2020: HK\$16.9 million), which was almost the same.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During 2021, the Group financed its operations by cash flow from operating activities. As at 31 December 2021, the Group had net current assets of approximately HK\$324.1 million (31 December 2020: HK\$294.9 million), including cash and bank balances of approximately HK\$1.8 million (31 December 2020: HK\$2.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 11.2 times as at 31 December 2021 (31 December 2020: 10.8 times). The change was relatively small. The gearing ratio of the Group, being total interest-bearing debt (excluding trade payables) to total equity, was 0.003 times (31 December 2020: 0.003 times).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$348.7 million as at 31 December 2021 (31 December 2020: HK\$330.7 million).

EMPLOYEE INFORMATION

Total remuneration for 2021 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions and other employee costs) was approximately HK\$9.1 million (2020: HK\$10.2 million). It was relatively stable. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong as at 31 December 2021 (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.



MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in 2021 and up to the date of results announcement of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement of the Company, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2021.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 and 18.81 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2021. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 December 2021 and up to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code, save for the deviation from code provision C.1.6 as explained below and the deviation from code provision C.2.1 as mentioned in the section headed "Chairman and Chief Executive Officer" in this report.

Pursuant to C.1.6 of CG Code, the independent non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable engagements, two executive Directors and two independent non-executive Directors was unable to attend annual general meeting of the Company held on 26 May 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required standard of Dealing"). Having made specific enquiries of all the Directors, each of them has confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2021. No incident of non-compliance was noted by the Company during the year.

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the Board comprises five directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Lam Shu Chung
Ms. Lee Nga Ching

Independent non-executive Directors

Mr. Siu Kin Wai
Mr. Tang Chung Wai
Ms. Chan Man Yi

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors of the Company are set out under the section headed “Biographical Details of Directors and Senior Management” in this report.

The updated list of Directors and their role and function are published at the GEM website and the Company’s website (www.orientsec.com.hk).

The Company has arranged for appropriate insurance cover in respect of legal action against the Directors since 18 February 2014.

Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 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 with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance with the Rule 5.09 of the GEM Listing Rules.

The Board

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 Groups’ affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing 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 meet on a regular basis 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 also communicates with shareholders and regulatory bodies and makes recommendations to shareholders on final dividends and the declaration of any interim dividend.

Board Meetings and Attendance

The Board meets in person or through other electronic means of communication to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. The Board held 5 meetings during the year ended 31 December 2021. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 15 of this report.

The Board meets regularly on a quarterly basis. Notice of at least 14 days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, senior management and Compliance Officer who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

CORPORATE GOVERNANCE REPORT

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The company secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

Relationships between the Board

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' Continuing Professional Development Programme

Each Director receives comprehensive and formal induction and orientation to ensure he/she adequately understand the operations and business of the Group. The Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Directors to review and study. In addition, materials in relation to regularly update on latest development in relation to the GEM Listing Rules, other applicable regulatory requirements and the Group's business and governance policies (the "Reading Materials in relation to Continuous Professional Developments") were circulated to the Directors. Continuing briefings and seminars for the directors will be arranged as necessary. The Directors are encouraged to participate in continuous professional developments to develop and refresh their knowledge and skills periodically.

During the year ended 31 December 2021, the Directors participated in the continuous professional developments in the following manner:

| Name | Reading Materials in relation to Continuous Professional Developments | Attending seminars/courses/conferences in relation to Continuous Professional Developments |
|---|--|---|
| <i>Executive Directors</i> | | |
| Mr. Lam Shu Chung | ✓ | — |
| Ms. Lee Nga Ching | ✓ | — |
| <i>Independent non-executive Directors</i> | | |
| Mr. Siu Kin Wai | ✓ | ✓ |
| Mr. Tang Chung Wai | ✓ | — |
| Ms. Chan Man Yi | — | ✓ |

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

The Company has not yet adopted C.2.1 of the CG Code. Pursuant to C.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The Company currently has no Chairman or CEO. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no Chairman or CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment.

The Company will, at the appropriate time, arrange for the election of the new Chairman of the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Executive Directors

Mr. Lam Shu Chung, the executive Director, has entered into a service agreement with the Company on 25 March 2013 for an initial fixed term of three years commencing from 15 January 2014 (date of listing of the shares of the Company on GEM) and shall continue thereafter until terminated by either party by giving at least three months’ notice in writing to the other.

Ms. Lee Nga Ching, the executive Director, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 8 June 2015. On 8 June 2018, the service agreement with Ms. Lee Nga Ching was renewed with another term of three years commencing from 8 June 2018 and shall continue thereafter until terminated by either party by giving at least three months’ notice in writing to the other.

Each of the executive Directors is entitled to the respective director’s salaries, allowances and benefits in kind. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

Mr. Siu Kin Wai, the independent non-executive Director has entered into a letter of appointment with the Company on 29 September 2017. The letter of appointment is for an initial fixed term of three years commencing from 29 September 2017. On 29 September 2020, the letter of appointment with Mr. Siu Kin Wai was renewed with another term of three years commencing from 29 September 2020 and shall continue thereafter, provided that either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

Each of Mr. Tang Chung Wai and Ms. Chan Man Yi, the independent non-executive Directors, has entered into a letter of appointment with the Company with an initial fixed term of three years commencing from 28 April 2016. On 28 April 2019, the letters of appointment with Mr. Tang Chung Wai and Ms. Chan Man Yi were renewed with another term of three years commencing from 28 April 2019 and shall continue thereafter, provided that either party may terminate such appointment at anytime by giving at least three months' notice in writing to the other.

Each of the independent non-executive Directors is entitled to a director's fee. The independent non-executive Directors are also entitled to receive a discretionary bonus to be determined by the Board in its absolute discretion in respect of each financial year of the Company. In accordance with the article 83 of the Articles, any Directors appointed to fill a casual vacancy on the Board should be subject to election by shareholders at the first general meeting after his appointment. Any Director appointed as an addition to the Board should be subject to election by shareholders at the next following annual general meeting after his appointment.

In accordance with the articles 84 of the Articles, one-third of the Directors are subject to retirement by rotation 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 the office and being eligible offer themselves for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment.

Board Diversity Policy and Diversity of the Company

The Company recognises the importance and the benefit of having a diverse Board that fits its own business model and needs in order to achieve its corporate goals and strategies. In designing the Board's composition, board diversity has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company also sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company does not discriminate on the grounds of race, gender, disability, age, religions or any other factor.

The Company aims to ensure that appointments of director will be made on the basis of a range of diversity factors, including those factors set out above. All appointments of director are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Company targets to have a Board with a gender ratio close to 50:50 and the Company has achieved this target. During the year, there was 6 directors composing by 3 male and 3 female directors, and up to the date of this report, there are 5 directors, which 2 of the directors are female and 3 of the directors are male. The board will continue its current policy to achieve gender diversity of the board.

As at 31 December 2021, the Company has 56% of male in the workforce while 44% of female in the workforce. The Company is striving for gender equality in our workforce and hire our employee only basis on their abilities.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance of the Company.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, to approve their remuneration and terms of engagement, to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards, to review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, internal control and risk management systems of the Group and monitor continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee has met its responsibilities to review the Group's quarterly reports for the three months and nine months ended 31 March 2021 and 30 September 2021 respectively, interim report for the six months ended 30 June 2021 and the Group's audited annual results for the year ended 31 December 2021 and provided advice and comments thereon. The Audit Committee also made recommendations to the Board and the management of the Company in respect of the Group's financial reporting and internal control procedures.

The Audit Committee held 5 meetings during the year ended 31 December 2021. Individual attendance records of each member of the Audit Committee are set out in the table on page 15 of this report.

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with code provision B.3.1 of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. All members of the Nomination Committee are appointed by the Board.

During the year ended 31 December 2021, the Nomination Committee reviewed and discussed the structure, size and composition of the Board and determined the policy for the nomination of Directors. The Nomination Committee is responsible for identifying potential directors, reviewing the credentials of the potential director base on his/her qualifications, skills, experience, credibility and reputation. Once the Nomination Committee confirmed the potential director(s) is/are qualified to be the Director(s) and his/her appointments are in the interests of the Company and the Shareholders as a whole, it will make recommendations to the Board for approval. The Board is ultimately responsible for selection and appointment of new Directors. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required. The Nomination Committee held 3 meetings during the year ended 31 December 2021. Individual attendance records of each member of the Nomination Committee are set out in the table on page 15 of this report.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with code provision E.1.2 of the CG Code. The Remuneration Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Remuneration Committee is to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management and to ensure none of the Directors determine their own remuneration. All members of the Remuneration Committee are appointed by the Board.

During the year ended 31 December 2021, the Remuneration Committee determined the policy for the remuneration of executive Directors, assessed the performance of executive Directors and approved the terms of executive Director's services contracts. The Group aims to provide our employees with fair and equitable remuneration and benefits based on individual performance, experience and the market benchmarks. The Group have formulated our employee performance appraisal mechanisms and makes appropriate salary adjustments in accordance with employee performance and the employment market situation to reduce the loss of talent. The Remuneration Committee adopted the model which is described in the code provision E.1.2 (c)(ii) of the CG Code, it makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee held 1 meetings during the year ended 31 December 2021. Individual attendance records of each member of the Remuneration committee are set out in the table on page 15 of this report.

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees and general meeting during the year ended 31 December 2021 are as follows:

| Name of Director | Board Meeting Attended/Eligible to attend | Audit Committee Meeting Attended/Eligible to attend | Nomination Committee Meeting Attended/Eligible to attend | Remuneration Committee Meeting Attended/Eligible to attend | General Meeting Attended/Eligible to attend |
|---|---|---|--|--|---|
| Executive Directors | | | | | |
| Mr. Lam Shu Chung | 5/5 | N/A | N/A | N/A | 0/1 |
| Ms. Lee Nga Ching | 5/5 | N/A | N/A | N/A | 1/1 |
| Ms. Cheung Yu Xuan (resigned on 22 October 2021) | 2/4 | N/A | N/A | N/A | 0/1 |
| Independent non-executive Directors | | | | | |
| Mr. Tang Chung Wai | 5/5 | 5/5 | 3/3 | 1/1 | 0/1 |
| Ms. Chan Man Yi | 5/5 | 5/5 | 3/3 | 1/1 | 1/1 |
| Mr. Siu Kin Wai | 4/5 | 4/5 | 3/3 | 1/1 | 0/1 |

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision A.2.1 to the CG Code which are included to develop and review the Company policies and practices on corporate governance and make recommendations to the Board, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors and to review the issuer's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2021, the Board has performed the corporate governance duties stated in code provision A.2.1 of the CG Code.

EMOLUMENTS TO THE DIRECTORS AND SENIOR MANAGEMENT

The emoluments paid to the 6 (2020: 6) Directors and 3 (2020: 4) senior management whose details are disclosed in the section headed "Biographical Details of Directors and Senior Management" were within the following bands:

| | 2021 | 2020 |
|--------------------------------|------|------|
| Nil to HK\$1,000,000 | 9 | 10 |
| HK\$1,000,001 to HK\$1,500,000 | — | — |

The Company does not grant equity-based remuneration with performance-related elements to independent non-executive directors.

AUDITOR AND THEIR REMUNERATION

For the year ended 31 December 2021, remuneration paid and payable to the auditor of the Group (the "Auditor") are approximately HK\$600,000 (2020: HK\$600,000) and HK\$140,000 (2020: Nil) for audit services and non-audit services respectively.

Director's Acknowledgement

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Statement

The statement of the Auditor about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2021 is set out in the section "Independent Auditor's Report" of this report.

Financial Reporting

The Management has provided to all Directors quarterly updates with quarterly consolidated financial statements of the Company's performance, position and prospects in sufficient details during the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the Board with more detailed and promptly monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail in coming future.

CORPORATE GOVERNANCE REPORT

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group.

The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Group. To the best of knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective risk management and internal control system to safeguard the Group's assets against unauthorized use or disposition, to ensure the maintenance of proper accounting records and compliance with relevant legislation and regulations and to protect the interests of the shareholders of the Company.

The risk management and internal control is also related to our environmental, social and governance. Our risk management and internal control system ensure the Company adheres closely to principles of sustainable development, seeking to achieve required standards in the areas of environmental protection, employment and labour practices, operations practices and community service.

The Board has periodically assessed and reviewed the effectiveness of the Group's internal control system, including, in particular, financial, operational, compliance control and risk management functions, environmental protection, employment and labour practices, operations practices and community service. The Group's system of internal controls includes a defined management structure with limits of authority and the system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

The Group has engaged an external professional consultant to conduct independent internal control review throughout the year. The review covered parts of the internal control system including financial, operational, compliance control and risk management functions. Such review will be conducted regularly throughout each year. The internal control consultant will report findings and areas for improvement to the Audit Committee and the management of the Company.

INFORMATION DISCLOSURE

The Group has adopted its own information disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations, particularly the GEM Listing Rules and Securities and Futures Ordinance ("SFO"). The Group has strictly prohibited unauthorised use of confidential or inside information and has a system of internal procedures for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities. The Board authorised only the authorised representatives registered in the Stock Exchange for responding on behalf of the Company.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Yip Yat Sing and Mr. Huen Felix Ting Cheung, the joint company secretaries of the Company, are employees of the Company and accessible by all Directors for advice and services with a view of ensuring that Board procedures are followed. They support the Board and board committees by ensuring good information flow and report to the Board and assist the Board in functioning effectively and efficiently. During the year ended 31 December 2021, Mr. Yip Yat Sing and Mr. Huen Felix Ting Cheung have duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules. The biographical details of Mr. Yip Yat Sing and Mr. Huen Felix Ting Cheung are set out under the section “Biographical Details of Directors and Senior Management”.

SHAREHOLDERS' RIGHT

Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting (the “EGM”) to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the board

The Company endeavors to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company's email at info@orientsec.com.hk or by mail to the principle address of the Company at Rooms 3101, 3117-3118, 31/F., China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting and EGM of the Company and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the annual general meeting and the EGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond proactively to the Shareholders' enquiries. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the annual general meeting and EGM orally in the beginning of the aforesaid meetings.

DIVIDEND POLICY

The Company will only declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends. In deciding whether to propose a dividend and in determining the dividend amount, the Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of dividends will be subject to the Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors the Directors may consider relevant.



CORPORATE GOVERNANCE REPORT

The payment of dividend is also subject to compliance with applicable laws and regulations including the law of Cayman Islands and the Company's Articles of Association.

The Board will continually review this policy from time to time and there can be no assurance that a dividend will be proposed or declared in any given year.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company's policy on shareholders' communication is to strengthen its communications with shareholders and investors through various channels including publication of quarterly, interim and annual reports, press releases and announcements regarding the latest developments of the Company in its corporate website at www.orientsec.com.hk at a timely manner. The Company is also welcome the shareholders to express their view on to the Company by email to cs@orientsec.com.hk.

During the year, the Company is of the view that the implementation of shareholders' communication policy conducted are successful and the shareholders' communication policy is effective.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 December 2021, there had not been any changes in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

As the Group's business nature is provision of financial services in Hong Kong and primarily an office based group with relatively low energy, power and resources consumption, our direct environmental impact is immaterial in the process of the Group's daily operation and business development. We adhere closely to principles of sustainable development, seeking to achieve required standards in the areas of environmental protection, employment and labour practices, operations practices and community service. While acknowledging our responsibility to our stakeholders, we encourage our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function.

GOVERNANCE STRUCTURE

The Board of directors (the "Board") of the Company is overall responsible for the Environmental, Social and Governance ("ESG") strategy and reporting. The Board is also ensuring the effectiveness of ESG risk management and internal control mechanism. The senior management of the Group implement the overall ESG strategies and policies adopted by the Board in daily management.

The executive directors of the Company and the senior management of the Group will examine and address all the ESG risks and opportunities. They are responsible for the implementing the approved ESG policies, rules and regulations; collecting, compiling and formulating data and statistics on ESG related issues and key performance indicators ("KPIs"); and reviewing and monitoring on the legal and social compliance of the ESG related issues on-going basis.

The Group's approach to corporate responsibility ensures that ESG risks and opportunities are identified, evaluated and controlled in line with the industry best practice. The Group has set the direction that the Group balances economic success with environmental and social responsibility, in line with the expectations of stakeholders. The Group also seeks to promote sustainable business practices, increase transparency and ensure that the Group risk management processes help to avoid negative environmental and social impacts arising from its businesses. The Board will discuss and review the Group's ESG risks and opportunities, performance, progress, goals and targets regularly.

REPORTING STANDARDS AND BOUNDARY

This ESG Report has been prepared with reference to the requirements set out in the ESG Reporting Guide ("ESG Guide") under Appendix 20 to the GEM Listing Rules, applying the reporting principles of materiality, quantitative, balance and consistency, and aims to be clear and balanced. The ESG practices of the Group has been set up along with the daily operations and supported by our data collection system. The scope of disclosure is expanded in view of the increasing social awareness of ESG reporting. However, certain ESG data from our service providers is not included as such data is difficult to verify with available resources.

This report covers the securities services business and money lending business of the Group in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT AND MATERIALITY

Our stakeholder engagement approach is designed to ensure that our stakeholders' concerns and expectations are fully understood to help us to decide our current and future business strategies for development with sustainability.

We believe that the interests of our stakeholders must be taken in account in order to strengthen the relationship with them. We engage with internal and external stakeholders including customers, employees, community, government and shareholders and investors through communication channels listed below.

| Stakeholders Group | Major Concerned Issues | Major Communication Channels |
|----------------------------|---|--|
| Shareholders and Investors | <ul style="list-style-type: none"> Financial stability and profitability Business operations Information disclosure | <ul style="list-style-type: none"> Financial reports Company website Announcements and press releases |
| Employees | <ul style="list-style-type: none"> Remuneration Packages Training and development Health and safety work environment | <ul style="list-style-type: none"> Face-to-face meetings Training Complaints system |
| Government | <ul style="list-style-type: none"> Compliance operation Environmental protection Employee protection Tax compliance | <ul style="list-style-type: none"> Compliance with applicable laws and regulations Consultation and enquiry |
| Customers | <ul style="list-style-type: none"> Personal data privacy Customer satisfaction | <ul style="list-style-type: none"> Company website Feedback from frontline employees Company hotline |
| Community | <ul style="list-style-type: none"> Contribution to the community | <ul style="list-style-type: none"> Charitable and volunteering activity |

To ensure that the issues in this report are critical and significant to both the Group and our stakeholders, we have conducted a materiality assessment in this ESG Report. The Group identified certain critical and significant ESG issues based on the existing operations and future development strategies of the Group and taking into the consideration of the disclosure requirements of ESG Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The Board strongly believes that a sound governance structure is critical to the effective management and implementation of ESG related issues. The Board is responsible for overseeing the Group's corporate governance and the overall ESG management approach, and supervises in the data collection, preparation and review of the ESG Report. The details of ESG governance structure of the Group are stated in the previous section of the ESG report headed "Governance Structure". The Group understands the importance of environmental sustainability and protection. We are mindful of the environment and are committed to preserve it. The Group operates its business with relatively low power and resources consumption, and our direct environmental impact is immaterial in the process of the Group's daily operation and business development.

To the best knowledge of the Directors, the Group was in compliance with applicable environmental laws and regulations in all material respects during the ended 31 December 2021.

ENVIRONMENTAL PROTECTION

Emissions and Use of Resources

The Group is committed to providing quality financial services to our clients in a manner that minimises our potential adverse impact on the environment. Due to the nature of our business, there is minimal direct impact to the environment and we do not generate material hazardous waste. There is minimal need for our management and employees to overseas travel for business, so the main emission of the Group is the indirect greenhouse gas emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment. As the water consumption of the Group is minimal, our commitment to the environment is focused on the energy conservation, minimising the use of paper and the reduction of waste by recycling.

As a supporter of environmental protection, the Group strives for efficient and effective use of energy and resources in operation and management level of the Group. Energy conservation is a priority under environmental protection and energy-saving devices are used when applicable to reduce power consumption. To enhance environmental awareness and encourage daily participation among the staff, there are recommendations to them to reduce energy wastage including, but not limited to:

- 1) Lights and electronic appliances in office premise will be turned off when not in use.
- 2) Every staff will turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas (“GHG”) Emissions

The GHG emissions emitted by the Group’s business operation in 2021 was approximately 51,110 kg (2020: 66,823 kg) of carbon dioxide equivalent (“CO₂e”) and mainly from indirect emission. The major source of the GHG emission was from the purchased electricity. The Group generally do not emit other air pollutants.

Analysis of the major GHG emissions of the Group for the year ended 31 December 2021 and 2020 is set out below:

| Sources of GHG emission | GHG emission (Note) | |
|-------------------------|--------------------------------|--------------------------------|
| | 2021 (kg CO ₂ e) | 2020 (kg CO ₂ e) |
| Purchased electricity | 49,190 | 64,243 |
| Printing paper waste | 1,920 | 2,580 |
| Total GHG emissions | 51,110 | 66,823 |

Note: The GHG emission is calculated according to the “Guideline to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong” jointly published by Environmental Protection Department and the Electrical and Mechanical Services Department.

Reduction of Hazardous Waste and Non-hazardous Waste

The type of waste produced by the Group is mainly waste paper from daily business operations. With the growing awareness for reduction of waste, other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, double-sided printing or using recycle paper is highly recommended except for formal and confidential documents.

Relating to reduction of waste by recycling, the Group also collects used toner cartridges for passing to the printer company each time when they come to our office to replace the toner cartridges for recycling purpose. In addition, we will donate our unused desktop computers and LCD monitors to non-profit making organisation for refurbishment of the donated computers for reuse by deprived people or non-profit making organisation.

Uses of Resources

a) Energy - Electricity

Electricity consumed by the Group in its normal business operations is supplied by The Hongkong Electric Co., Ltd. The total electricity consumption was approximately 69,281 Kilowatt-hour (kWh) (2020: 79,312 kWh), with an energy intensity of approximately 120 kWh/m² (2020: 137 kWh/m²) (based on total gross floor area of approximately 577.1 m²) during the year. The electricity consumption was stably decreased and we will continue the encouragement of energy-saving in office.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

b) Water

Due to the nature and scope of our business, our offices are located in commercial premise. The water consumption of the Group is minimal and was included in the management fee and therefore the figures were not available for our GHG emission calculation.

c) Paper

During the year, the Group used a total of approximately 400 kg (2020: 538 kg) of printing papers in its normal business operations. The decrease in paper consumption was due to our employees' effort on using more caution approach in printing.

Environment and Natural Resources

The Group seeks to work toward environmental best practice. This involves giving careful consideration to various operational aspects and activities to minimise any environmental impact. Green messages and practical tips for green living will be circulated amongst employees to achieve environmental sustainability.

Despite the fact that the Group's daily operations and business development do not cause direct, material and adverse impact on the environment and natural resources, the Group has also taken steps to reduce its impact on the environment by adopting energy and resources saving measures as mentioned above in response to the potential adverse impacts on the environment and natural resources.

Climate Change

Climate change is the one of the severest challenges around the world in the century. Climate change leads to more natural disasters exist and in results losing lives and damages of properties, affecting our health, safety and work. The Group considered that there is potential physical risks from climate change to our daily operation, such as storms, fires and heatwaves.

Over-emission of greenhouse gases is the major factor causing global warming and in results climate changes. To minimising the risks from climate changes, the Group is committed to reducing its emission of the greenhouse gases by adopting various environmental policies and measures, such as reducing the use of electricity, reducing consumption, recycling and reusing of papers, donating of un-used equipment to those who need. The Group also focuses on reducing emission from the origin by reducing emissions in our supply chains, such as choosing the supplier with adopting environmental friendly policy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES

Employment, health and safety

As at 31 December 2021, the Group had 16 employees (excluding independent non-executive directors) (2020: 25 employees) in Hong Kong. All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis.

Analysis of workforce of the Group is set out below:

Workforce by Gender:

| | 2021 Percentage (%) | 2020 Percentage (%) |
|--------|------------------------|------------------------|
| Male | 56 | 40 |
| Female | 44 | 60 |

Workforce by Age Group:

| | 18-25 | 26-35 | 36-45 | 46-55 | 56 and above |
|-------------|-------------|--------------|--------------|--------------|--------------|
| 2021 | 0.0% | 18.8% | 31.3% | 12.5% | 37.5% |
| 2020 | 0.0% | 20.0% | 32.0% | 20.0% | 28.0% |

During the year ended 31 December 2021, the Group's overall employee turnover rate was approximately 82.9% (2020: 11.3%).

Analysis of the employee turnover rate is set out below:

Employee Turnover by Gender:

| | 2021 Percentage (%) | 2020 Percentage (%) |
|--------|------------------------|------------------------|
| Male | 41.2% | 66.7% |
| Female | 58.8% | 33.3% |

Employee Turnover by Age Group

| | 18-25 | 26-35 | 36-45 | 46-55 | 56 and above |
|-------------|-------------|--------------|--------------|--------------|--------------|
| 2021 | 0.0% | 23.5% | 23.5% | 29.5% | 23.5% |
| 2020 | 0.0% | 66.7% | 0.0% | 33.3% | 0.0% |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for sustainable development of our business.

The Group considers its employees as vital assets and is committed to providing them with a safe, pleasant and healthy working environment. The Group is not aware of any material non-compliance with any applicable laws and regulations in relation to employment matters. The following occupational health and safety measures have been implemented by the Group to protect the health and safety of all employees:

- Continuously provide and maintain a safe working environment which poses no threat to the health and safety of our employees;
- Regularly carry out inspection at the workplace to identify any unsafe working conditions and correct any potential hazards once they are identified;
- Perform regular checking and maintenance of office machines, equipment and fire extinguishers;
- Maintain and check first-aids kits regularly to ensure necessary items are in place;
- Attend the fire drills organised by the building management company to help employees, especially new joiners, get familiar with the escaping routes in case of fire; and
- Report the work injury (if any) in accordance with the work injury reporting guideline as required by the Labour Department of the Government.

During the year ended 31 December 2021 and 2020, we have no work-related fatality occurred and any lost day due to work injury.

To maintain a safe and comfortable work environment, the professional cleaning company will clean and sanitise office areas and equipment regularly. The Group also designs and plans office layouts based on relevant safety provisions, and ensures that fire escapes are not blocked. Subsidiaries of the Group also review their office environment and their safety policies regularly to make sure that daily operations comply with all applicable laws and regulations.

The Group not only rewards and recognises employees by competitive remuneration package and promote career development and progression by providing opportunities for career advancement, but also provides support in different areas for its employees. In addition to other staff welfare, the Group medical insurance packages are also provided to our staff at no expense to them.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and training

The Group is subject to various ordinances, rules and guidelines such as, but not limited to, the Securities and Futures Ordinance (the "SFO"), Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the GEM Listing Rules and the SFC's Guideline on Anti-Money Laundering and Counter-Terrorist Financing. The Group is aware of the continuous development and updates of relevant laws and regulations, each department of the Group is responsible for determining its training needs for employees in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Group for approval. Knowledge, skills and capacities of employees are vital to continuous business growth and success of the Group. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

The percentage the employees trained during the year is 76.9% (2020: 40.0%), and the percentage of employees trained by gender and employee category is as following:

| | 2021 | | 2020 | |
|------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Senior management Percentage (%) | Middle management Percentage (%) | Senior management Percentage (%) | Middle management Percentage (%) |
| Male | 100.0% | 50.0% | 50.0% | 100.0% |
| Female | 100.0% | 66.7% | 60.0% | 12.5% |
| All gender | 100.0% | 60.0% | 54.6% | 36.4% |

The average training hours completed per trained employee by gender and employee category is as following:

| | 2021 | | 2020 | |
|------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Senior management Hours | Middle management Hours | Senior management Hours | Middle management Hours |
| Male | 11.1 | 5.0 | 11.0 | 4.2 |
| Female | 3.0 | 5.0 | 3.0 | 5.0 |
| All gender | 8.8 | 5.0 | 7.0 | 4.4 |

Labour standards

The Group establishes recruitment policies according to applicable laws and regulations of Hong Kong. The Group makes certain that its employees are all above the minimum legal working age and have been fully protected in terms of labour standards, and that all laws and regulations prohibiting child labour and forced labour are complied. All recruitment, remuneration, training, and promotion mechanisms are carried out impartially, and individuals are assessed solely on the basis of professional experience and/or work performance. No one is subject to discrimination due to age, gender, race or skin colour. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws, to ensure that its male and female employees enjoy all statutory rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATIONS PRACTICES

As a professional financial services provider, the Group sets up a comprehensive and effective compliance procedure to ensure its full compliance in daily operations with all applicable laws, rules and regulations. It also keeps a close eye on changes to laws and regulations in the areas where it operates, and makes appropriate and timely adjustments in its internal control policies. To ensure its overall operations are in line with all legal compliance requirements, the management of the Group also disseminates information on related changes by email or other means to update employees on new developments. The Group reviews its internal and external operations practices from time to time, and takes the initiative to revise management policies when necessary to adjust its corporate governance practices. In addition, the Group has obtained all the licences required by all relevant laws and regulations in Hong Kong, including those for carrying out dealing in securities and advising on securities under the Securities and Futures Ordinance and money lending business under the Money Lenders Ordinance. Management will ensure employees comply with all relevant laws and regulations whenever they provide professional financial and investment services both to clients and the general public.

Supply Chain Management

Due to the nature of the Group's business activities, the Group has no suppliers in regarding to our core business. However, we recognise the importance of our suppliers of the office supplies. The Group adopts supplier management policy in accordance with our internal guidance. Our suppliers are subjected to screening and evaluation procedures, based on the quality, price and if they are environmental friendly. The Group compares our suppliers based on their quotation and other information that we can search publicly. The Group also focus on whether the products from the suppliers are environmental friendly, for example, we will compare the electrical applicants which use the least electricity will be chosen.

The Group also carries out regular assessment on our suppliers if they remain high quality, lower price, environmental friendly, reputation in the industry, and compliance with relevant laws and regulations. In case the Group discovers any major non-performance of the supplier, the Group will review their suitability to remain on our approved list.

The Group also pays attention to the environmental awareness of our suppliers and promotes sound environmental performance and governance practices amongst its suppliers. The Group encourages its suppliers to consider the risks posed to their operations from climate change and to actively mitigate their environmental impacts.

Moreover, we perform close monitoring on the business practices of suppliers through news or social media. Any observations of non-compliance will be reported immediately to the management and corrective action plan will be carried out to remediate the identified risks in a timely manner.

Number of critical suppliers cooperated with the Group during the Reporting Period is 23 (2020: 31). The Group was not aware of any suppliers that has any significant negative impact on the business ethics, environmental protection and labour practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product responsibilities

In relation to financial services business, to avoid any loss suffered by clients due to systems failures or delays in transactions, the Group has established an emergency plan to ensure that proper measures are taken should system errors occur to reduce any potential client losses to a minimum. Management will also review our transaction system regularly and make improvement on our transaction system, including the internal control and management system or facilities, where necessary, to avoid occurrence of system failure.

Since the Group only provides financial services to our clients, due to the nature of our services, there are no recalls products for these services. We have not received any complaints during the reporting period.

The Group recognises the importance of the protection over intellectual property right and consumer privacy. The Group only use the software and information with proper licences in our business operation. Apart from its product and service quality, the Group emphasises the importance of the confidentiality of personal data and the privacy of our clients and we adhere to the provisions of the Personal Data (Privacy) Ordinance when collecting, processing and using clients' personal data.

Anti-corruption

The Group is not aware of any material non-compliance with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong, in relation to the Group's business operation. The Group has worked to establish a corporate culture of integrity and justice, and treats integrity as one of its core business principles. To raise anti-corruption awareness among its employees, the Group lays out codes of conduct concerning the conflict of interest and business conduct in its employment handbook. We also encourage employees to report their interests and make good use of the accusation mechanism to eliminate illegal activities such as money laundering, bribery and fraud.

The Group has whistle-blowing procedures in effect. We encourage our employees to report directly to the Audit Committee for any misconduct and dishonest behaviour, such as bribery, fraud and other offences.

Moreover, The Group emphasises in our employee handbook that the Group does not tolerate any corruption, and the Group will terminate the employment contract with any employee who is bribed and reserve the right to take further actions against such person. The Group plans to host regular trainings delivered by representatives from regulators and professionals to all Directors and employees in regards to anti-corruption policies and procedures so to maintain employees' awareness on anti-corruption best practices. During the Reporting Period, the Group complied with the relevant laws and regulations regarding anti-corruption and money laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees (2020: Nil).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY SERVICES

Charity and community work

The Group regards contributions to society as part of its mission. Our business development strategy also pays close attention to community welfare. The Group has been devoted to promote community development by taking the lead and encouraging employees to care for the community.

The Group targets through donations and sponsorships by supporting non-profit-making organisation to help charitable, cultural, medical, educational and other needs of society. The Group wishes to raise fund as caring for people in need and supporting charity activities.

Charity donations

During the year, the Group has not made any charitable donation. The Group will consider from time to time to donate to charitable organisations when the Group identify the suitable non-profit-marking organisation and has sufficient financial resources.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Shu Chung (林樹松), aged 65, is an Executive Director of the Company and has been the Chairman of the Board of the Company for the period from 4 April 2011 to 30 June 2017. He was appointed as a Director on 5 January 2009 and re-designated as an Executive Director on 12 February 2009. He is responsible for the formulation of corporate strategy, overseeing the management and business development. Further, Mr. Lam has been a director of Orient Securities Limited since July 2004 and has been responsible for overseeing the Company's management and business development. Mr. Lam has about 28 years of experience in the Hong Kong financial market, ranging from the field of securities brokerage, foreign exchange to foreign banking.

Ms. Lee Nga Ching (李雅貞), aged 44, was appointed as an Executive Director on 8 June 2015. She obtained a bachelor's degree in Business Administration in Accounting from City University of Hong Kong in 2004. She also obtained certificates of the Insolvency Preparatory I and II courses in 2005 and 2007 respectively. Ms. Lee possesses over 17 years of experience in corporate management, finance, financial due diligence, fraud and bribery investigations, internal control and insolvency administrations. She was employed by different institution, such as Baker Tilly Hong Kong, BDO McCabe Lo Limited, John Lees & Associates Limited, Kroll Associates (Asia) Limited and The Red Flag Group. The roles and responsibility of Ms. Lee are (i) to participate in the formation of corporate strategy and policy of the Company and its subsidiaries (collectively, the "Group"); (ii) to oversee business operation and financial performance of the Group; and (iii) to ensure adequate internal control and risk management procedures and compliance with relevant legislation, rules and guidelines of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Kin Wai (蕭健偉), aged 53, graduated from the City University of Hong Kong with a bachelor's degree in Accountancy and are fellow members of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate governance. Mr. Siu is currently the executive director and chief executive officer of Beijing Properties (Holdings) Limited (stock code: 925); the executive director of MillenMin Ventures Inc. (TSXV Stock Code: MVM); the executive director of Beijing Enterprises Medical and Health Industry Group Limited (stock code: 2389); and the non-executive director of CAQ Holdings Limited ("CAQ"), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ. Mr. Siu is also the independent non-executive director of Agritrade Resources Limited (stock code: 1131) for the period from 24 August 2010 to 9 June 2021.

Mr. Tang Chung Wai (鄧宗偉), aged 59, has extensive experience in management. Mr. Tang is currently a director of Royal Garden Restaurant Limited and Yuen Long Town Hall Management Committee, Special Councilor of New Territories Heung Yee Kuk and Vice President of District Executive Committee (Yuen Long West District N.T. Region) of Scout Association of Hong Kong.

Ms. Chan Man Yi (陳敏儀), aged 57, graduated from the Hong Kong Polytechnic University with a Master's degree in professional accounting and has extensive experience in pension and provident fund industry. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants. Ms. Chan is an independent non-executive director, chairman and member of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of Cocoon Holdings Limited (stock code: 428) since 21 August 2018. She was an independent nonexecutive director, a member of the Nomination Committee and the Audit Committee of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 2312) for the period from 1 February 2013 to 29 April 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lau Wai Man (劉偉文), aged 57, joined the Group in 2008 and is currently a Responsible Officer of Orient Securities Limited. He is a licensed person since August 1995. Mr. Lau is responsible for supervising in-house account executives in carrying out regulated activities. Mr. Lau possesses over 23 years of experience in the securities brokerage industry and his work experience includes acting as a sales representative, floor trader and account executive in various securities brokerage companies since 1995.

Mr. Yip Yat Sing (葉逸聲), aged 34, was appointed as financial controller and joint company secretary of the Company on 30 November 2021. Mr. Yip is a member of certified public accountant of The Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree of Business Administration (Accounting and Finance) from The University of Hong Kong in 2009.

Mr. Huen, Felix Ting Cheung (禰廷彰), aged 35, was appointed as joint company secretary of the Company on 30 November 2021. Mr. Huen is a certified public accountant of The Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Accounting) from Edinburgh Napier University. He currently is the joint company secretary of Grand Ocean Advanced Resources Company Limited (stock code: 65) and corporate finance assistant director and responsible officer (Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance) of Euto Capital Partners Limited.

REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands. The principal activities of the Group are the provision of its (i) brokerage services; (ii) underwriting and placing services; (iii) margin financing services and (iv) money lending services.

BUSINESS REVIEW

A review of the Group’s business during the year and a discussion on the Group’s future development are provided in the Executive Director’s Statement. An analysis of the Group’s performance during the year and a description of possible risks and uncertainties that the Group may be facing can be found under Management Discussion and Analysis. Also, the financial risk factors and capital management of the Group can be found in note 36 and note 39 to the consolidated financial statements, respectively. Discussions on the Group’s key relationships with its customers and suppliers are contained under the section “Major customers and suppliers” in the Report of Directors. Discussions on the Group’s policies and compliance with laws and regulations in respect of environmental and social aspects which have a significant impact on the Group are contained in the Environmental, Social and Governance Report. In addition, the Group’s principal corporate governance practices adopted which have a significant impact on the Group are contained in the Corporate Governance Report.

RESULTS

The Group’s results for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the consolidated financial statements from pages 46 to 105 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the section headed “Financial Summary” on page 106 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group’s property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Articles of Association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RESERVES

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

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$100,184,000.

CHARITABLE DONATIONS

During the year, the Group did not made any charitable donation.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of the report were:

Executive Directors

Mr. Lam Shu Chung

Ms. Lee Nga Ching

Ms. Cheung Yu Xuan (resigned with effective from 22 October 2021)

Independent Non-executive Directors

Mr. Tang Chung Wai

Ms. Chan Man Yi

Mr. Siu Kin Wai

In accordance with articles 84(1) of the Company's Articles of Association, Mr. Lam Shu Chung and Ms. Chan Man Yi will retire as Directors and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 31 to 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for an initial term of three years and be thereafter continuous unless and until (i) the termination by either party thereto giving no less than three months' prior written notice; or (ii) the Director not being re-elected as a Director in accordance with the Articles of Association of the Company.

The independent non-executive Directors are appointed for an initial fixed term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of Hong Kong Companies Ordinance when the Directors' Report prepared by the Directors is approved in accordance with section 391 of Hong Kong Companies Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and in note 33 to the consolidated financial statements, no Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements.

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 ASSOCIATED CORPORATION

As at 31 December 2021, none of the Directors or chief executives of the Company (the "Chief Executives") had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings").

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

As at 31 December 2021, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no person or corporation who had any interests and short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

REPORT OF DIRECTORS

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs 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 ASSOCIATED CORPORATION” and “SHARE OPTION SCHEME” in this report, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the year ended 31 December 2021 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the “Eligible Participant”) as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the “Scheme”) on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme which shall last until December 2023.

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing approximately 6.94% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the “Option”), the Eligible Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of shares take place on the Stock Exchange (the “Trading Day”); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date. The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date.

The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As at the date of this report and since the adoption of the Scheme, no share option has been granted by the Company.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in note 15 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Company monitored brokerage and margin financing transactions with the Directors of the Company. If the applicable ratios of the aggregated annual caps of brokerage services and margin financing services for each of them is less than 5% and less than HK\$3,000,000, such transactions will fall within the exemption under Rule 20.74(1) of the GEM Listing Rules and no reporting, announcement and independent shareholders' approval are required. Further information for income generated from brokerage and financing services for an executive director is set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the largest customer of the Group contributes approximately 11% of the revenue of the Group. The total revenue of the 5 largest customers accounted for 25% of the revenue of the Group.

As far as the Directors aware, neither the Director nor their associates nor any shareholder (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in these 5 largest customers of the Group.

Due to the nature of the Group's business activities, the Group has no suppliers.

REPORT OF DIRECTORS

CONFIRMATION OF INDEPENDENCE

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

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled for Monday, 6 June 2022. In order to determine entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM of the Company, all transfer document(s) accompanied by the relevant share certificate(s) must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2022.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 9 to 19 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL POLICIES AND KEY RELATIONSHIP WITH EMPLOYEES

Discussion on the Group's environmental policies and key relationship with employees is contained in the section headed "Environmental, Social and Governance Report" on pages 20 to 30 of this annual report.

KEY RELATIONSHIPS WITH CUSTOMERS

The Group has over 680 active securities accounts and money borrowers as at 31 December 2021.

In order to maintain relationships with customers, various means have been established to strengthen the communications between the customers including direct conversation to promote investment opportunities and invitation to casual business development events. In addition, the Group will continue to develop the customer base by utilising the network we have and referrals from existing customers.

KEY RELATIONSHIPS WITH SUPPLIERS

The Group does not have any supplier during the year ended 31 December 2021 and up to the date of this report.

UPDATE ON LISTING STATUS

The Company received a letter dated 20 December 2019 from the Stock Exchange to the effect that the Stock Exchange had decided to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules on the view of that the Company has not shown to have sufficient level of operations and assets that could enable it to carry out viable and sustainable business as required by Rule 17.26 of GEM Listing Rules ("Decision"). Under Rule 4.06(1) of the GEM Listing Rules, the Company filed an application for a review by the GEM Listing Committee in relation to the Decision on 3 January 2020. The review hearing of the Decision by the GEM Listing Committee took place on 10 March 2020. On 18 March 2020, the Company received a fax from the GEM Listing Committee that they had decided to uphold the Decision ("GEM Listing Committee Decision").

Under Rule 4.06(2) of the GEM Listing Rules, the Company filed an application for a review by the GEM Listing Review Committee in relation to the GEM Listing Committee Decision on 26 March 2020. The review hearing of the GEM Listing Committee Decision by the GEM Listing Review Committee took place on 10 July 2020. On 29 July 2020, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the GEM Listing Committee Decision to suspend trading in the Shares under Rule 9.04(3) of the GEM Listing Rules ("GEM Listing Review Committee Decision"). According to the said letter, the GEM Listing Review Committee considered that if the Company achieves or exceeds the revenue of HK\$57.29 million and the net profits before taxation of HK\$29.83 million as indicated in its profit forecast for the financial year ended 31 December 2020 through sustainable operations with no disposal of material assets, this will be reasonably strong evidence of re-compliance with Rule 17.26 of the GEM Listing Rules by the Company which should then not warrant a suspension of trading.

On 4 August 2020, the Company received a letter from the Stock Exchange setting out the resumption guidance of demonstrating its compliance with Rule 17.26 of the GEM Listing Rules for the resumption of trading in the Shares. In view of the GEM Listing Review Committee Decision, the Company is required to re-comply with Rule 17.26 of the GEM Listing Rules and it will have a remedial period of 12 months to re-comply with Rule 17.26 of the GEM Listing Rules. If the Company fails to do so by the expiry of the 12-month period (i.e. 29 July 2021), the Stock Exchange may proceed with cancellation of the Company's listing.

On 30 July 2021, The Board announced that the Company had fulfilled the Resumption Condition to the satisfaction of the Stock Exchange. In order to fulfill the Resumption Condition, the Group had continued to review its existing businesses and its financial position from time to time and had been committed to improve its existing business operations. Further, the Group had identified potential business to expand its source of income in order to maximise the return to the Shareholders.

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 30 July 2020 and has been resumed trading from 9:00 a.m. on 2 August 2021

For details, please refer to the announcements of the Company dated 23 December 2019, 3 January 2020, 18 March 2020, 26 March 2020, 29 July 2020, 5 August 2020, 29 October 2020, 29 January 2021, 29 April 2021 and 30 July 2021.



REPORT OF DIRECTORS

AUDITORS

The consolidated financial statements for the year ended 31 December 2021 have been audited by the Company's auditor, BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the AGM.

On behalf of the board

Lee Nga Ching

Executive Director

Hong Kong, 29 April 2022

INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Orient Securities International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 105, 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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT 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 AUDITOR'S REPORT

Impairment assessment of margin loan receivables, loan and interest receivables

(Refer to notes 19 and 20 to the consolidated financial statements and the accounting policies as set out in note 4.9 to the consolidated financial statements)

Under HKFRS 9 "Financial Instruments", impairment assessment of margin loan receivables, loan and interest receivables is estimated based on an expected credit loss model. As at 31 December 2021, the Group had margin loan receivables of HK\$48,186,000 arising from brokerage and margin financing business and loan and interest receivables of HK\$328,403,000 arising from money lending business. Impairment provision of HK\$23,748,000 and HK\$2,300,000 had been made over margin loan receivables and loan and interest receivables respectively as at 31 December 2021.

Assessing impairment of margin loan receivables and loan and interest receivables is a subjective area as it requires application of significant judgement and uses of estimates. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Judgement is applied in assessing customers that may default and identifying evidence of impairment which include assessment on creditworthiness of customers, their repayment history, and application of collateral ratio, that is the level of securities collateral in proportion to the outstanding receivables balance. Estimates are used in assessing the recoverable amount of the securities collateral.

We focused on this area as a key audit matter. Assessing the assessment of recoverability performed by management involved critical judgement and estimation as mentioned in the aforementioned paragraph.

INDEPENDENT AUDITOR'S REPORT

Our response

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment on margin loan receivables, loan and interest receivables included:

- testing the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into the 3 stages. Our testing included the checking to loan overdue information, collateral ratio and other factors determining the stage classification as determined by the Group;
- challenging management in applying the collateral ratio and considering other factors in identifying the expected credit loss;
- reviewing debtors' historical repayments and subsequent settlements after year end date and the market value of pledged collateral; and
- evaluating the Group's estimation methodology of expected credit losses, and checking the parameters to external data sources where available.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

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.

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

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 29 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| Revenue | 6 | 46,704 | 59,292 |
| Other income | 7 | 4 | 1,539 |
| Employee costs | 9 | (9,340) | (10,946) |
| Administrative expenses | | (10,444) | (12,882) |
| Other operating expenses | | (3,524) | (15,604) |
| Finance costs | 10 | (155) | (257) |
| Profit before income tax | 11 | 23,245 | 21,142 |
| Income tax expense | 12 | (5,270) | (4,282) |
| Profit for the year, attributable to owners of the Company | | 17,975 | 16,860 |
| Other comprehensive income for the year | | — | — |
| Total comprehensive income for the year, attributable to owners of the Company | | 17,975 | 16,860 |
| Earnings per share for profit attributable to owners of the Company for the year | 14 | | |
| — Basic and diluted (HK cent) | | 4.16 | 3.90 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 4,721 | 2,312 |
| Other assets | 17 | 430 | 430 |
| Loan and interest receivables | 20 | 18,637 | 32,467 |
| Deposits | 21 | 2,043 | 1,100 |
| Deferred tax assets | 28 | 334 | 429 |
| | | 26,165 | 36,738 |
| Current assets | | | |
| Trade receivables | 19 | 28,110 | 32,875 |
| Loan and interest receivables | 20 | 307,466 | 264,710 |
| Prepayments, deposits and other receivables | 21 | 2,827 | 4,507 |
| Trust bank balances held on behalf of clients | 22 | 15,535 | 12,975 |
| Cash and cash equivalents | 23 | 1,803 | 2,218 |
| | | 355,741 | 317,285 |
| Current liabilities | | | |
| Trade payables | 24 | 15,598 | 12,930 |
| Accruals and other payables | 25 | 1,223 | 1,444 |
| Lease liabilities | 26 | 3,147 | 2,458 |
| Debentures | 27 | 1,000 | — |
| Tax payables | | 10,685 | 5,510 |
| | | 31,653 | 22,342 |
| Net current assets | | 324,088 | 294,943 |
| Total assets less current liabilities | | 350,253 | 331,681 |
| Non-current liabilities | | | |
| Lease liabilities | 26 | 1,597 | — |
| Debentures | 27 | — | 1,000 |
| | | 1,597 | 1,000 |
| Net assets | | 348,656 | 330,681 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 29 | 4,320 | 4,320 |
| Reserves | 30 | 344,336 | 326,361 |
| Total equity | | 348,656 | 330,681 |

On behalf of the Board

Lee Nga Ching
Director

Lam Shu Chung
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 23,245 | 21,142 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 11 | — | 336 |
| Depreciation of right-of-use assets | 11 | 3,886 | 5,018 |
| Bank Interest income | 7 | — | (1) |
| (Reversal of provision)/Provision for unused annual leave | 9 | (383) | 32 |
| Provision for trade receivables | 11 | 4,099 | 13,004 |
| (Reversal of provision)/Provision for loan and interest receivables | 11 | (575) | 2,600 |
| Finance costs | 10 | 155 | 257 |
| Operating profit before working capital changes | | 30,427 | 42,388 |
| Decrease in other assets | | — | 50 |
| Decrease/(Increase) in trade receivables | | 666 | (10,871) |
| Increase in loan and interest receivables | | (28,351) | (43,035) |
| Decrease in prepayments, deposits and other receivables | | 737 | 780 |
| (Increase)/Decrease in trust bank balances held on behalf of clients | | (2,560) | 4,651 |
| Increase/(Decrease) in trade payables | | 2,668 | (5,165) |
| Increase in accruals and other payables | | 162 | 64 |
| Cash used in operations | | 3,749 | (11,138) |
| Hong Kong profits tax paid | | — | (2,672) |
| Interest received | | — | 1 |
| Net cash generated from/ (used in) operating activities | | 3,749 | (13,809) |
| Cash flows from financing activities | | | |
| Interest paid | | (75) | (75) |
| Repayment of principal amount of lease liabilities | | (4,089) | (5,382) |
| Net cash used in financing activities | | (4,164) | (5,457) |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the year | | 2,218 | 21,484 |
| Cash and cash equivalents at the end of the year | 23 | 1,803 | 2,218 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Equity attributable to owners of the Company | | | | Total HK\$'000 |
|---|--|---|--|----------------------------------|-------------------|
| | Share capital HK\$'000 (note 29) | Share premium* HK\$'000 (note 30(b)) | Merger reserve* HK\$'000 (note 30(a)) | Retained profits* HK\$'000 | |
| At 1 January 2020 | 4,320 | 138,016 | 8 | 171,477 | 313,821 |
| Profit for the year | — | — | — | 16,860 | 16,860 |
| Other comprehensive income | — | — | — | — | — |
| Total comprehensive income for the year | — | — | — | 16,860 | 16,860 |
| At 31 December 2020 and 1 January 2021 | 4,320 | 138,016 | 8 | 188,337 | 330,681 |
| Profit for the year | — | — | — | 17,975 | 17,975 |
| Other comprehensive income | — | — | — | — | — |
| Total comprehensive income for the year | — | — | — | 17,975 | 17,975 |
| At 31 December 2021 | 4,320 | 138,016 | 8 | 206,312 | 348,656 |

* These reserve accounts comprise the consolidated reserves of HK\$344,336,000 (2020: HK\$326,361,000) in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Orient Securities International Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. The shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 January 2014. The address of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Rooms 3101 & 3117-3118, 31st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the “Group”) are principally engaged in the provision of:

- brokerage services
- underwriting and placing services
- securities, initial public offering financing services
- money lending services

There were no significant changes in operations during the year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 *New and amendments to HKFRSs that are mandatory effective for the current year*

The Group has adopted the following new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2021.

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 9 and HKFRS 16

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

2.2 New and amendments to HKFRSs in issue but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply those changes on the date they become effective.

| | |
|--|--|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current 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 Transactions 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 HKFRS 3 | References to Conceptual Framework ² |
| 2021 Amendments to HKFRS 16 | COVID-19 — Related Rent Concessions beyond 30 June 2021 ¹ |
| Annual Improvements to HKFRS Standards 2018-2020: Amendments to HKFRS 9 | Financial Instruments: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities ² |
| HK Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³ |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

The key amendments to HKAS 1 include (i) requiring companies to disclose their material accounting policies rather than their significant accounting policies; (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

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

Amendments to HKAS 12, Recognition of Deferred Tax Related to Assets and Liabilities arising from a Transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

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

2021 Amendments to HKFRS 16, COVID-19 — Related Rent Concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted and shall be applied retrospectively.

Annual Improvements to HKFRS Standards 2018-2020: Amendments to HKFRS 9 — Financial Instruments: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.

The directors of the Company have performed an assessment on these new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group’s consolidated financial statements in subsequent years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3.2 *Basis of measurement*

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impact on the Group’s consolidated financial statements, if any, are disclosed in note 2 to the consolidated financial statements.

The consolidated financial statements have been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

3.3 *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

4.2 *Subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

4.3 *Revenue recognition*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Revenue recognition *(Continued)*

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

(a) Commission income

Brokerage commission income is recognised on a trade date basis when the relevant performance obligation is executed.

(b) Interest income

- Interest income from bank deposit is accrued using effective interest method by reference to the principal deposited and at the rate applicable.
- Interest income from client is accrued using effective interest method by reference to the outstanding balance and at the rate applicable.

(c) Underwriting and placing income

Underwriting and placing income are recognised at a point in time when the obligation is completed.

(d) Service income

Service income is recognised at the time when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 *Borrowing costs*

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

4.5 *Intangible assets (other than goodwill)*

Acquired intangible assets

Intangible assets represent trading rights of the Stock Exchange, with which the holders have the right to trade on the Stock Exchange. Intangible assets acquired separately are measured initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets

Amortisation of trading rights is provided on straight-line method over the estimated useful lives which are five years.

Amortisation commence when the intangible assets are available for use. The asset's amortisation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 *Property, plant and equipment*

Property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual value, if any, over their estimated useful lives, using straight-line method. The depreciation rates per annum are as follow:

| | |
|------------------------|---------------------|
| Right-of-use assets | Over the lease term |
| Leasehold improvements | 33.33% |
| Computer equipment | 20% — 50% |
| Office equipment | 20% — 33.33% |
| Furniture and fixtures | 30% — 33.33% |
| Motor vehicles | 33.33% |

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

4.7 *Impairment of non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are recognised at cost and comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

These are recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial instruments*

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial instruments (Continued)*

(ii) Impairment of financial assets

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables arising from cash clients and clearing house using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has elected to measure loss allowances for trade receivables arising from margin clients, loan and interest receivables by using HKFRS 9 general approach. ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or there is a significant delay in fulfilling contractual payments or significant change in the value of collateral or credit enhancement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial instruments (Continued)*

(ii) Impairment of financial assets (Continued)

The Group considers a financial asset to be credit-impaired under the following events:

- significant financial difficulty of the issuer of the borrower; or
- a breach of contract, such as a default or past due event; or
- securities, initial public offering financing services; or
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial instruments (Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 *Financial instruments (Continued)*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.10 *Accounting for income taxes*

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 *Accounting for income taxes (Continued)*

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.11 *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances and cash on hand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 *Share capital and share premium*

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent that they are incremental costs directly attributable to the equity transaction.

4.13 *Employee benefits*

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

4.15 Foreign currency

Transactions entered into by the Company and the Group in currencies other than the currency of the primary economic environment in which it/they operate(s) (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 *Related parties*

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of the Company's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, of any member of a group of which it is a part, provides key management personnel services to the Company or to the Company parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 *Related parties (Continued)*

Close family members 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 and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

4.17 *Government grant*

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate, whilst those relating to the purchase of property, plant and equipment are included as deferred income liability in the statement of financial position and are recognised in profit or loss on straight-line method over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income" in profit or loss.

4.18 *Segment reporting*

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segment which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment allowance on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral or credit enhancement values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Income tax

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE

The Group's revenue represents:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Revenue recognised under HKFRS 9 | | |
| — Interest income from margin financing services | 7,786 | 7,168 |
| — Interest income from money lending services | 34,116 | 32,209 |
| Revenue recognised at a point in time under HKFRS 15 | | |
| — Commission income from brokerage services | 1,672 | 2,159 |
| — Underwriting and placement income | 3,130 | 15,206 |
| — Service income | — | 2,550 |
| | 46,704 | 59,292 |

7. OTHER INCOME

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------------|------------------|------------------|
| Interest income on bank deposits | — | 1 |
| Government grant | — | 1,403 |
| Sundry income | 4 | 135 |
| | 4 | 1,539 |

8. OPERATING SEGMENTS

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

| | | |
|--------------------------|---|--|
| Brokerage | — | Provision of brokerage services |
| Underwriting and placing | — | Provision of underwriting and placing services |
| Margin financing | — | Provision of securities and initial public offering financing services |
| Money lending | — | Provision of money lending services |

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OPERATING SEGMENTS *(Continued)*

Segment assets include all non-current and current assets with the exception of deferred tax assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of current tax payable and debentures.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.18. Segment profit/(loss) represents the profit earned by each segment without allocation of sundry income and income tax expense.

Segment revenue, results and capital expenditure for the year ended 31 December 2021 and the segment assets and liabilities as at 31 December 2021 are as follows:

| 2021 | Brokerage HK\$'000 | Underwriting and placing HK\$'000 | Margin financing HK\$'000 | Money lending HK\$'000 | Total HK\$'000 |
|---|-----------------------|---|---------------------------------|------------------------------|-------------------|
| Reportable segment revenue from external clients | 1,672 | 3,130 | 7,786 | 34,116 | 46,704 |
| Reportable segment (loss)/profit | (2,781) | 93 | (7,032) | 32,961 | 23,241 |
| Interest income on bank deposits | — | — | — | — | — |
| Government grant | — | — | — | — | — |
| Depreciation of property, plant and equipment | — | — | — | — | — |
| Depreciation of right-of-use assets | (1,845) | (369) | (1,475) | (197) | (3,886) |
| Provision for trade receivables | (513) | — | (3,586) | — | (4,099) |
| Reversal of provision for loan and interest receivables | — | — | — | 575 | 575 |
| Reportable segment assets | 25,832 | 1,267 | 27,109 | 327,364 | 381,572 |
| Additions to non-current segment assets | 3,147 | 630 | 2,518 | — | 6,295 |
| Reportable segment liabilities | 3,587 | 475 | 17,496 | 7 | 21,565 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OPERATING SEGMENTS (Continued)

Segment revenue, results and capital expenditure for the year ended 31 December 2020 and the segment assets and liabilities as at 31 December 2020 were as follows:

| 2020 | Brokerage HK\$'000 | Underwriting and placing HK\$'000 | Margin financing HK\$'000 | Money lending HK\$'000 | Total HK\$'000 |
|---|-----------------------|---|---------------------------------|------------------------------|-------------------|
| Reportable segment revenue from external clients | 4,709 | 15,206 | 7,168 | 32,209 | 59,292 |
| Reportable segment (loss)/profit | (1,164) | 6,035 | (10,875) | 27,011 | 21,007 |
| Interest income on bank deposits | 1 | — | — | — | 1 |
| Government grant | 199 | 643 | 304 | 257 | 1,403 |
| Depreciation of property, plant and equipment | (168) | (34) | (134) | — | (336) |
| Depreciation of right-of-use assets | (2,116) | (423) | (1,692) | (787) | (5,018) |
| Provision for trade receivables | (892) | — | (12,112) | — | (13,004) |
| Provision for loan and interest receivables | — | — | — | (2,600) | (2,600) |
| Reportable segment assets | 24,805 | 212 | 29,236 | 299,341 | 353,594 |
| Additions to non-current segment assets | — | — | — | — | — |
| Reportable segment liabilities | 11,370 | 225 | 4,962 | 275 | 16,832 |

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Reportable segment profit | 23,241 | 21,007 |
| Other income | 4 | 135 |
| Consolidated profit before income tax | 23,245 | 21,142 |
| Reportable segment assets | 381,572 | 353,594 |
| Deferred tax assets | 334 | 429 |
| Consolidated total assets | 381,906 | 354,023 |
| Reportable segment liabilities | 21,565 | 16,832 |
| Tax payables | 10,685 | 5,510 |
| Debentures | 1,000 | 1,000 |
| Consolidated total liabilities | 33,250 | 23,342 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OPERATING SEGMENTS *(Continued)*

All activities of the Group are carried out in Hong Kong and all its revenue for the years ended 31 December 2021 and 2020 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

9. EMPLOYEE COSTS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Directors' emoluments (note 15) | | |
| — Fees, salaries, allowances and bonuses | 1,731 | 1,800 |
| — Retirement benefits scheme contributions | 43 | 54 |
| | 1,774 | 1,854 |
| Other staff | | |
| — Commissions paid | 260 | 409 |
| — Salaries, allowances and bonuses | 7,099 | 7,996 |
| — Mandatory provident fund contributions | 260 | 317 |
| — Medical and insurance | 325 | 321 |
| — Staff welfare and recruitment | 5 | 17 |
| — (Reversal of provision)/Provision for unused annual leave | (383) | 32 |
| Total employee costs | 9,340 | 10,946 |

10. FINANCE COSTS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Interest expenses on lease liabilities | 80 | 182 |
| Interest expenses on debentures | 75 | 75 |
| | 155 | 257 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. PROFIT BEFORE INCOME TAX

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax is arrived at after charging: | | |
| Auditor's remuneration | 600 | 600 |
| Depreciation charge: | | |
| — property, plant and equipment | — | 336 |
| — right-of-use assets | 3,886 | 5,018 |
| Provision for trade receivables | 4,099 | 13,004 |
| (Reversal of provision)/Provision for loan and interest receivables | (575) | 2,600 |

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Current tax — Hong Kong Profits Tax | | |
| — Current year | 5,175 | 4,711 |
| Deferred tax charge/(credit) (note 28) | 95 | (429) |
| Total income tax expense | 5,270 | 4,282 |

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 23,245 | 21,142 |
| Tax calculated at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%) | 3,835 | 3,488 |
| Tax effect on application of two-tiered profit tax regime | (165) | (165) |
| Tax effect of non-deductible expenses | 1,470 | 1,796 |
| Tax effect of tax losses not recognised | 138 | — |
| Utilisation of tax losses previously not recognised | — | (864) |
| Tax effect of unrecognised temporary differences | (8) | 27 |
| Income tax expense | 5,270 | 4,282 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. INCOME TAX EXPENSE *(Continued)*

As at 31 December 2021, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$26,661,000 (2020: HK\$25,824,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

The Group had no significant unprovided deferred tax assets or liabilities during the year and at the end of the reporting period (2020: Nil).

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2021 is based on the following data:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Profit attributable to owners of the Company | 17,975 | 16,860 |

| | Weighted average number of ordinary shares | |
|---|---|-------------|
| | 2021 | 2020 |
| For purpose of basic and diluted earnings per share | 432,000,000 | 432,000,000 |

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

| | Fees HK\$'000 | Salaries, allowances and benefits in kind* HK\$'000 | Discretionary bonuses HK\$'000 | Retirement benefits scheme contributions HK\$'000 | Total HK\$'000 |
|--|------------------|---|--------------------------------------|---|-------------------|
| 2021 | | | | | |
| Executive Directors | | | | | |
| Lam Shu Chung | — | 480 | — | 10 | 490 |
| Lee Nga Ching | 180 | 420 | — | 18 | 618 |
| Cheung Yu Xuan [#] | — | 291 | — | 15 | 306 |
| Independent Non-Executive Directors | | | | | |
| Chan Man Yi | 120 | — | — | — | 120 |
| Tang Chung Wai | 120 | — | — | — | 120 |
| Siu Kin Wai | 120 | — | — | — | 120 |
| | 540 | 1,191 | — | 43 | 1,774 |

2020

Executive Directors

| | | | | | |
|-----------------------------|-----|-----|---|----|-----|
| Lam Shu Chung | — | 480 | — | 18 | 498 |
| Lee Nga Ching | 180 | 420 | — | 18 | 618 |
| Cheung Yu Xuan [#] | — | 360 | — | 18 | 378 |

Independent Non-Executive Directors

| | | | | | |
|----------------|-----|-------|---|----|-------|
| Chan Man Yi | 120 | — | — | — | 120 |
| Tang Chung Wai | 120 | — | — | — | 120 |
| Siu Kin Wai | 120 | — | — | — | 120 |
| | 540 | 1,260 | — | 54 | 1,854 |

[#] Resigned on 22 October 2021.

* Being "salaries, allowances and benefits in kind" paid or payable to executive directors in connection with the management of affairs of the Company and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. EMOLUMENTS OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT *(Continued)*

Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2021 and 2020.

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2020: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2020: four) individuals during the year are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Salaries, commission, allowances and benefits in kind | 2,749 | 2,802 |
| Retirement benefits scheme contributions | 66 | 71 |
| | 2,815 | 2,873 |

The emoluments of these remaining four (2020: four) highest paid individuals fell within the following bands:

| | Number of individuals | |
|---------------------|-----------------------|------|
| | 2021 | 2020 |
| Nil — HK\$1,000,000 | 4 | 4 |

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

Emoluments of senior management

Senior management of the Group included three (2020: one) individual whose emoluments are reflected in the analysis presented above. The emoluments paid or payable to senior management fell within the following bands:

| | Number of individuals | |
|---------------------|-----------------------|------|
| | 2021 | 2020 |
| Below HK\$1,000,000 | 3 | 1 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Computer equipment | Office equipment | Furniture and fixtures | Motor vehicles | Right-of- use assets | Total |
|------------------------------------|---------------------------|-----------------------|---------------------|---------------------------|-------------------|-------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2020 | | | | | | | |
| Cost | 1,740 | 5,211 | 793 | 1,800 | 371 | 12,348 | 22,263 |
| Accumulated depreciation | (1,733) | (4,882) | (793) | (1,800) | (371) | (5,018) | (14,597) |
| Net carrying amount | 7 | 329 | — | — | — | 7,330 | 7,666 |
| Year ended 31 December 2020 | | | | | | | |
| Opening net carrying amount | 7 | 329 | — | — | — | 7,330 | 7,666 |
| Additions | — | — | — | — | — | — | — |
| Depreciation | (7) | (329) | — | — | — | (5,018) | (5,354) |
| Closing net carrying amount | — | — | — | — | — | 2,312 | 2,312 |
| At 31 December 2020 | | | | | | | |
| Cost | 1,740 | 5,211 | 793 | 1,800 | 371 | 12,348 | 22,263 |
| Accumulated depreciation | (1,740) | (5,211) | (793) | (1,800) | (371) | (10,036) | (19,951) |
| Net carrying amount | — | — | — | — | — | 2,312 | 2,312 |
| Year ended 31 December 2021 | | | | | | | |
| Opening net carrying amount | — | — | — | — | — | 2,312 | 2,312 |
| Addition | — | — | — | — | — | 6,295 | 6,295 |
| Depreciation | — | — | — | — | — | (3,886) | (3,886) |
| Closing net carrying amount | — | — | — | — | — | 4,721 | 4,721 |
| At 31 December 2021 | | | | | | | |
| Cost | 1,740 | 5,211 | 793 | 1,800 | 371 | 6,295 | 16,210 |
| Accumulated depreciation | (1,740) | (5,211) | (793) | (1,800) | (371) | (1,574) | (11,489) |
| Net carrying amount | — | — | — | — | — | 4,721 | 4,721 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the net carrying amount of right-of-use assets by class of underlying asset is as follows:

| | Lease contract |
|---|-----------------------|
| | HK\$'000 |
| As at 1 January 2020 | 7,330 |
| Depreciation | (5,018) |
| As at 31 December 2020 and 1 January 2021 | 2,312 |
| Addition | 6,295 |
| Depreciation | (3,886) |
| As at 31 December 2021 | 4,721 |
| | 2020 |
| | HK\$'000 |
| Interest on lease liabilities (note 10) | 182 |

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 26 and 36.3 respectively.

17. OTHER ASSETS

The balances represent statutory and other deposits which are placed with various exchanges and clearing houses at the end of the reporting period. These balances do not bear interest.

18. INTANGIBLE ASSETS

Intangible assets represent trading rights on the Stock Exchange. The cost of intangible assets is HK\$3,680,000 and the said amount had been fully amortised in prior years.

19. TRADE RECEIVABLES

| | Notes | 2021 | 2020 |
|---|---------|-----------------|----------|
| | | HK\$'000 | HK\$'000 |
| Trade receivables arising from the business of placing services | (c) | 1,001 | – |
| Trade receivables arising from the business of dealing in securities: | | | |
| – Cash clients | (a),(b) | 4,040 | 4,531 |
| – Margin finance loans | (a),(d) | 48,186 | 49,486 |
| – Clearing house | (a),(b) | 124 | – |
| Trade receivables, gross | | 53,351 | 54,017 |
| Less: provision on trade receivables | (c),(e) | (25,241) | (21,142) |
| Trade receivables, net | | 28,110 | 32,875 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. TRADE RECEIVABLES (Continued)

Notes:

- (a) These balances are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). The trade receivables from cash clients bear interest at commercial rates (normally at HK\$ Prime Rate plus a spread).

These are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates. No ageing analysis is disclosed, as in the opinion of the directors of the Company, this analysis does not give additional value in view of the nature of business of securities margin financing. As at 31 December 2021, total market value of securities pledged as collaterals in respect of the margin finance loans were approximately HK\$37,137,000 (2020: HK\$52,969,000). The collaterals held can be repledged and can be sold at the Group's discretion to settle any outstanding amounts due from margin clients. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall.

- (b) Trade receivables arising from cash clients and clearing house, if any, with the following ageing analysis, presented based on the trade date which is the revenue recognition date, as at the end of the reporting period:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------|------------------|------------------|
| Current | 4,164 | 4,531 |

- (c) The following table provide information about the Group's exposure to credit risk and expected credit loss for trade receivables arising from cash clients and clearing house and trade receivables arising from placing services:

| | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 |
|--|--------------------------------------|----------------------------|
| As at 31 December 2021 | | |
| Current | 552 | — |
| Past due not more than 6 months | 361 | (72) |
| Past due more than 6 months but not more than a year | 1,753 | (92) |
| Past due more than a year | 2,499 | (1,329) |
| | 5,165 | (1,493) |
| As at 31 December 2020 | | |
| Current | 401 | — |
| Past due not more than 6 months | 1,320 | (88) |
| Past due more than 6 months but not more than a year | 2,810 | (892) |
| | 4,531 | (980) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. TRADE RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

Movement of ECLs allowance of trade receivables arising from cash clients and clearing house and trade receivables arising from placing services is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 980 | 88 |
| Impairment losses recognised, net | 513 | 892 |
| Balance at the end of the year | 1,493 | 980 |

(d) Analysis of the gross carrying amount of margin loan receivables is as follows:

| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Gross carrying amount as at 1 January 2020 | 24,190 | 10,946 | 5,435 | 40,571 |
| New assets originated or purchased | 9,906 | 53 | 82 | 10,041 |
| Assets derecognised or repaid | (614) | (102) | (410) | (1,126) |
| Transfer from Stage 1 to Stage 2 | (25,952) | 25,952 | — | — |
| Transfer from Stage 2 to Stage 3 | — | (10,529) | 10,529 | — |
| Gross carrying amount as at 31 December 2020 and 1 January 2021 | 7,530 | 26,320 | 15,636 | 49,486 |
| New assets originated or purchased | 35 | 5,278 | — | 5,313 |
| Assets derecognised or repaid | (6,006) | — | (607) | (6,613) |
| Transfer from Stage 1 to Stage 2 | (630) | 630 | — | — |
| Gross carrying amount as at 31 December 2021 | 929 | 32,228 | 15,029 | 48,186 |

(e) Analysis of ECLs of margin loan receivables is as follows:

| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| ECLs allowances as at 1 January 2020 | 232 | 2,383 | 5,435 | 8,050 |
| New assets originated or purchased | — | 3,059 | 9,053 | 12,112 |
| Assets repaid | — | — | — | — |
| Transfer from Stage 1 to Stage 2 | (183) | 183 | — | — |
| ECLs allowances as at 31 December 2020 and 1 January 2021 | 49 | 5,625 | 14,488 | 20,162 |
| Increase in credit risk | — | 3,075 | 511 | 3,586 |
| Assets repaid | — | — | — | — |
| Transfer from Stage 1 to Stage 2 | (22) | 22 | — | — |
| ECLs allowances as at 31 December 2021 | 27 | 8,722 | 14,999 | 23,748 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. LOAN AND INTEREST RECEIVABLES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Money lending services | | |
| Loan receivables | 247,330 | 247,184 |
| Interest receivables | 81,073 | 52,868 |
| Total loan and interest receivables, gross | 328,403 | 300,052 |
| Less: provision on loan and interest receivables | (2,300) | (2,875) |
| | 326,103 | 297,177 |
| Less: Portion due within one year included under current assets | (307,466) | (264,710) |
| Non-current portion included under non-current assets | 18,637 | 32,467 |

Notes:

- (a) As at 31 December 2021, loan and interest receivables included balances of approximately HK\$325,883,000 (2020: HK\$296,526,000) which are secured with collateral or with custodies of credit enhancement by customers. The directors consider the exposure of credit risk of these receivables, after taking into account the value of the collaterals and credit enhancement is insignificant as the fair values of the collaterals and credit enhancement are higher than the outstanding amount of these receivables at the end of the reporting period. Remaining balance of loan and interest receivables of HK\$220,000 (2020: HK\$651,000) are not secured by any collaterals and any credit enhancement.

All loan receivables are interest bearing at effective interest rates ranging from 7.34% to 41.28% (2020: 7.34% to 41.28%) per annum and with repayment periods ranging from one year to seven years (2020: one year to eight years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. LOAN AND INTEREST RECEIVABLES (Continued)

Notes: (Continued)

- (c) Analysis of the gross carrying amount and the corresponding ECLs allowance of loan and interest receivables is as follows:

| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Gross carrying amount as at 1 January 2020 | 256,742 | — | 275 | 257,017 |
| New assets originated or purchased | 50,760 | — | — | 50,760 |
| Assets repaid | (7,725) | — | — | (7,725) |
| Transfer from Stage 1 to Stage 3 | (3,337) | 3,337 | — | — |
| Gross carrying amount as at 31 December 2020 and 1 January 2021 | 296,440 | 3,337 | 275 | 300,052 |
| New assets originated or purchased | 34,354 | 194 | — | 34,548 |
| Assets repaid | (4,997) | (1,200) | — | (6,197) |
| Transfer from Stage 1 to Stage 2 | (325,797) | 325,797 | — | — |
| Transfer from Stage 2 to Stage 3 | — | (1,142) | 1,142 | — |
| Gross carrying amount as at 31 December 2021 | — | 326,986 | 1,417 | 328,403 |

- (d) Analysis of ECLs allowance of loan and interest receivables is as follows:

| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| ECLs allowances as at 1 January 2020 | — | — | 275 | 275 |
| New assets originated or purchased | — | 2,600 | — | 2,600 |
| ECLs allowances as at 31 December 2020 and 1 January 2021 | — | 2,600 | 275 | 2,875 |
| Increase in credit risk | — | 211 | 229 | 440 |
| Assets repaid | — | (1,015) | — | (1,015) |
| Transfer from Stage 2 to Stage 3 | — | (913) | 913 | — |
| ECLs allowances as at 31 December 2021 | — | 883 | 1,417 | 2,300 |

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------------|------------------|------------------|
| Non-current assets | | |
| Rental and other deposits | 2,043 | 1,100 |
| Current assets | | |
| Other receivables | 28 | 63 |
| Prepayments | 2,784 | 2,906 |
| Rental and other deposits | 15 | 1,538 |
| | 2,827 | 4,507 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies in accordance with the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. These clients' monies are maintained in three trust bank accounts, bear interest at commercial rate with original maturity of three months or less. In the consolidated statement of financial position, the Group has classified the clients' monies as bank balances held on behalf of clients in current assets and recognised the corresponding trade payables (note 24) to the respective clients and other institutions as current liabilities as it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

23. CASH AND CASH EQUIVALENTS

| | Note | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------|------|------------------|------------------|
| Cash at bank | (a) | 1,800 | 2,215 |
| Cash on hand | | 3 | 3 |
| Cash and bank balances | | 1,803 | 2,218 |

Note:

- (a) During the year, interest rates on the cash at bank and deposits with banks of the Group ranged from Nil to 0.001% (2020: Nil to 0.001%) per annum.

24. TRADE PAYABLES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Trade payables arising from the business of dealing in securities: | | |
| — Cash clients | 9,382 | 8,725 |
| — Margin clients | 6,118 | 4,062 |
| — Clients' deposits | 98 | 121 |
| — Clearing house | — | 22 |
| | 15,598 | 12,930 |

Notes:

- (a) The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date. Trade payables to clients bear variable interest at commercial rates.
- (b) Trade payables included payable to clients and other institutions in respect of the trust and segregated bank balances received and 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. Included in above as at 31 December 2021 were an amount due to a director of the Company of HK\$1,656,000 (2020: HK\$44,000).
- (c) No ageing analysis in respect of trade payables attributable to dealings in securities transactions is disclosed as, in the opinion of the directors, this analysis does not give additional value in view of the nature of business of dealing in securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. ACCRUALS AND OTHER PAYABLES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------|------------------|------------------|
| Accruals | 1,198 | 1,416 |
| Other payables | 25 | 28 |
| | 1,223 | 1,444 |

26. LEASES

The Group leases office premises. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The present value of future lease payments of the Group's leases are analysed as:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-------------|------------------|------------------|
| Current | 3,147 | 2,458 |
| Non-current | 1,597 | — |
| | 4,744 | 2,458 |

Movement of the Group's leases liabilities is analysed as follows:

| | HK\$'000 |
|---|----------------|
| As at 1 January 2020 | 7,658 |
| Interest expenses | 182 |
| Lease payments | (5,382) |
| As at 31 December 2020 and 1 January 2021 | 2,458 |
| Addition | 6,295 |
| Interest expenses | 80 |
| Lease payments | (4,089) |
| As at 31 December 2021 | 4,744 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. LEASES (Continued)

The future lease payments of the Group's leases were scheduled to repay as follows:

| | Minimum lease payments HK\$'000 | Interest HK\$'000 | Present value HK\$'000 |
|--|---|-----------------------------|----------------------------------|
| As at 31 December 2021 | | | |
| Not later than one year | 3,213 | (66) | 3,147 |
| Later than one year and not later than two years | 1,606 | (9) | 1,597 |
| | 4,819 | (75) | 4,744 |
| As at 31 December 2020 | | | |
| Not later than one year | 2,482 | (24) | 2,458 |

27. DEBENTURES

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|-------------------------|------------------|
| Interest bearing debenture at 7% per annum | (a) | 500 | 500 |
| Interest bearing debenture at 8% per annum | (b) | 500 | 500 |
| | | 1,000 | 1,000 |

Notes:

- (a) This debenture bears interest at 7% per annum and is unsecured and repayable on 1 December 2022.
- (b) This debenture bears interest at 8% per annum and is unsecured and repayable on 28 April 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. DEFERRED TAX ASSETS

The movement of deferred tax assets are as follows:

| | Provision for receivables HK\$'000 |
|---|--|
| As at 1 January 2020 | — |
| Credit for the year | 429 |
| As at 31 December 2020 and 1 January 2021 | 429 |
| Charge for the year | (95) |
| As at 31 December 2021 | 334 |

29. SHARE CAPITAL

| | 2021 | | 2020 | |
|--|-----------------------|--------------------|----------------|-------------|
| | Number | HK\$ | Number | HK\$ |
| <i>Authorised share capital</i> | | | | |
| At the beginning and end of the year | 20,000,000,000 | 200,000,000 | 20,000,000,000 | 200,000,000 |
| <i>Issued and fully paid</i> | | | | |
| At beginning of the year and the end of the year | 432,000,000 | 4,320,000 | 432,000,000 | 4,320,000 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. RESERVES

Group

Reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Notes:

- (a) Merger reserve of the Group represents the difference between the nominal value of the share capital of Capital Business International Limited acquired pursuant to the group reorganisation in preparation for the listing of the Company and the nominal value of share capital of the Company issued in exchange thereof.
- (b) Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| | Share premium HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|-----------------------------------|-------------------|
| At 1 January 2020 | 138,016 | (27,886) | 110,130 |
| Loss for the year | — | (4,638) | (4,638) |
| Other comprehensive income | — | — | — |
| Total comprehensive income for the year | — | (4,638) | (4,638) |
| At 31 December 2020 and 1 January 2021 | 138,016 | (32,524) | 105,492 |
| Loss for the year | — | (5,308) | (5,308) |
| Other comprehensive income | — | — | — |
| Total comprehensive income for the year | — | (5,308) | (5,308) |
| At 31 December 2021 | 138,016 | (37,832) | 100,184 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| ASSETS AND LIABILITIES | | |
| Non-current assets | | |
| Investments in subsidiaries | — | — |
| Current assets | | |
| Prepayments | 117 | 198 |
| Amounts due from subsidiaries | 119,080 | 119,269 |
| Cash and cash equivalents | 5 | 28 |
| | 119,202 | 119,495 |
| Current liabilities | | |
| Accruals and other payables | 1,119 | 893 |
| Amount due to a subsidiary | 12,579 | 7,790 |
| Debentures | 1,000 | — |
| | 14,698 | 8,683 |
| Net current assets | 104,504 | 110,812 |
| Total assets less current liabilities | 104,504 | 110,812 |
| Net assets | 104,504 | 109,812 |
| EQUITY | | |
| Share capital | 29 | 4,320 |
| Reserves | 30 | 100,184 |
| Total equity | 104,504 | 109,812 |

On behalf of the Board

Lee Nga Ching
Director

Lam Shu Chung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. INVESTMENTS IN SUBSIDIARIES

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

| Name | Place of incorporation/ operation | Particulars of issued capital | | Percentage of issued capital held by the Company | | | | Principal activities and place of operations |
|--|--|-----------------------------------|-----------------------------------|--|------------|----------|------------|--|
| | | 2021 | 2020 | 2021 | | 2020 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Capital Business International Limited | The British Virgin Islands/ Hong Kong | Ordinary shares of US\$1,000 | Ordinary shares of US\$1,000 | 100 | — | 100 | — | Investment holding |
| Orient Securities Holdings Limited | Hong Kong/ Hong Kong | Ordinary shares of HK\$18,832 | Ordinary shares of HK\$18,832 | — | 100 | — | 100 | Investment holding |
| Orient Securities Limited | Hong Kong/ Hong Kong | Ordinary shares of HK\$20,000,000 | Ordinary shares of HK\$20,000,000 | — | 100 | — | 100 | Provision of brokerage service, underwriting and placing service and securities and initial public offering margin financing service |
| Orient Securities Finance Limited | Hong Kong/ Hong Kong | Ordinary shares of HK\$10,000 | Ordinary shares of HK\$10,000 | — | 100 | — | 100 | Provision of money lending service |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with the directors during the year:

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|------------------|------------------|
| Directors | | | |
| Lam Shu Chung | | | |
| — Brokerage commission income received | (a) | 15 | 184 |
| — Placing income | (b) | 27 | 597 |

Notes:

- (a) The commission income was calculated at staff rates which ranged from 0.025% to 0.1% (subject to minimum charge of HK\$100).
- (b) The placing income is agreed according to the contract terms.

Compensation of key management personnel

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 3,723 | 3,574 |
| Post employment benefits | 92 | 120 |
| | 3,815 | 3,694 |

34. CREDIT FACILITIES

As at 31 December 2021 and 2020, the Group had a bank overdraft facility with a bank to the extent of HK\$20,000,000 (2020: HK\$20,000,000). Interest is charged at prime lending rate per annum as quoted by the bank. The bank overdraft facility is subject to a repayable on demand clause.

As at 31 December 2021 and 2020, the banking facilities were guaranteed by a corporate guarantee to the extent of HK\$20,000,000 (2020: HK\$20,000,000) executed by the Company.

As at 31 December 2021, the Group had a loan facility of HK\$35,000,000 of which interest is charged at 12% per annum and maturity date is 24 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows. See note 4.9 to the consolidated financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Financial assets | | |
| <i>Financial assets measured at amortised cost</i> | | |
| — Other assets | 430 | 430 |
| — Trade receivables | 28,110 | 32,875 |
| — Loan and interest receivables | 326,103 | 297,177 |
| — Other receivables | 28 | 63 |
| — Trust bank balances held on behalf of clients | 15,535 | 12,975 |
| — Cash and cash equivalents | 1,803 | 2,218 |
| | 372,009 | 345,738 |
| Financial liabilities | | |
| <i>Financial liabilities measured at amortised costs</i> | | |
| — Trade payables | 15,598 | 12,930 |
| — Accruals and other payables | 1,223 | 1,444 |
| — Lease liabilities | 4,744 | 2,458 |
| — Debentures | 1,000 | 1,000 |
| | 22,565 | 17,832 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include statutory and other deposits, loan and interest receivables, trade and other receivables, trade and other payables, lease liabilities and debentures. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

36.1 Market risk

(a) Foreign currency risk

Foreign currency risk is the risk of losses due to adverse changes in foreign exchange rates mainly relating to bank deposits denominated in foreign currency. The management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

It is the Group's policy for each subsidiary to transact business in local currencies as far as possible to minimise currency risk. Most of the Group's principal business are conducted and recorded in HK\$, the functional currency of the companies now comprising the Group, with certain bank deposits mainly denominated in United States Dollars ("US\$") and Renminbi ("RMB"). As HK\$ is pegged to US\$, there is no significant exposure expected on US\$ transactions and balances. For presentation purpose, the following tables summarise the Group's financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 December 2021 and 2020.

| | Expressed in HK\$'000 | |
|-------------------------------|-----------------------|------|
| | RMB | US\$ |
| As at 31 December 2021 | | |
| Cash and cash equivalents | 1 | 1 |
| As at 31 December 2020 | | |
| Cash and cash equivalents | 247 | 234 |

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.1 Market risk (Continued)

(a) Foreign currency risk (Continued)

The following tables indicate the approximate changes in the Group's profit or loss for the year and equity in response to reasonably possible changes in other foreign exchange rates to which the Group has significant exposure as at the reporting date. As US\$ is pegged to HK\$, the Group does not expect any significant changes in US\$/HK\$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US\$ is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant change in the US\$/HK\$ exchange rates as at the reporting date.

| | Increase/(Decrease) in foreign exchange rates | | Increase/(Decrease) in profit for the year | | Increase/(Decrease) in equity | |
|-----|--|-----------|---|------------------|----------------------------------|------------------|
| | 2021 % | 2020 % | 2021 HK\$'000 | 2020 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 |
| RMB | 5 | 5 | — | 12 | — | 12 |

Decrease in the above foreign exchange rates at each reporting date would have the equal but opposite effect to the amounts shown above, on the basis that all other variables were held constant.

The sensitivity analysis has been determined by assuming that the changes in foreign exchange rates had occurred at the reporting date and that all other variables were held constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.1 Market risk (Continued)

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on bank balances, margin and cash client receivables and trade payables carrying interests at variable rates.

The following table illustrates the sensitivity of the profit or loss for the year to a change in interest rates of +1% and -1% (2020: +1% and -1%). The calculations are based on the Group's bank balances, margin and cash client receivables held at each reporting date. All other variables are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| If interest rates were 1% (2020: 1%) higher Increase/(Decrease) in profit for the year | 454 | 481 |
| If interest rates were 1% (2020: 1%) lower Increase/(Decrease) in profit for the year | (454) | (481) |

36.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to trade receivables due from clients and clearing house and loan receivables from clients. Management has a credit policy in place and the exposure to the credit risk is monitored on an on-going basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

36.2 Credit risk *(Continued)*

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within two days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered small. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin finance loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of trade receivables due from clearing house, credit risk is considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry. In respect of trade receivables due from corporate clients associated with placing services, the credit risk is considered low as the credit risk of these clients are clearly monitored and there are no significant default in the past.

In respect of loan and interest receivables from clients, the objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. It is the Group's policy that all clients who wish to obtain loans from the Group are subject to management review. Receivables balances are monitored on an ongoing basis, management makes periodic collective assessment as well as individual assessment on the recoverability of loans, loans receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and any other qualitative factors and ensure that follow-up action is taken to recover overdue debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 December 2021, 7% (2020: 5%) and 27% (2020: 25%) of the total trade and loan receivables due from clients were from the Group's largest client and the five largest clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

36.2 *Credit risk (Continued)*

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from trade and loan receivables are disclosed in notes 19 and 20 to the consolidated financial statements, respectively.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk for such is minimal.

Impairment and provisioning policies

The Group's policy requires the review of individual outstanding amounts at least monthly or more regularly depending on individual circumstances or market condition.

The impairment requirements under HKFRS 9 are based on an expected credit loss model. The Group applies simplified approach to measure ECLs on trade receivables from cash clients and clearing house and trade receivables arising from the business of placing services; and general approach to measure ECLs on trade receivables from margin loans receivables, loans and interest receivables, cash and cash equivalents, trust bank balances held on behalf of client and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECLs. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECLs, Stage 2: Lifetime ECLs — not credit-impaired and Stage 3: Lifetime ECLs — credit-impaired.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and internal credit risk assessment, including forward-looking information. The loan and advances use the number of days past due and loan-to-collateral value or loan-to-credit enhancement value to determine significant increase in credit risk. Credit risk is deemed to have increased significantly if there is a significant deterioration of the above factors at the reporting date relative to that at the date of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

36.2 Credit risk *(Continued)*

Calculation of expected credit losses

The ECLs are assessed by the Group on regular basis. Based on the aforesaid factors, margin loan receivables and loan and interest receivables are classified into 3 stages.

ECLs for margin receivables, loan and interest receivables under stage 1 is calculated on collective basis. Form margin loan receivables and loan and interest receivables under stage 2 and stage 3, the lifetime ECLs is calculated.

The ECLs of non-standard financing Group has pre-defined loss rate reference to the default rate for from external rating agencies.

If there is material decrease in collaterals and credit enhancement values and the full recovery of the loan is in doubt, the loan will be classified into stage 3. For the loans classified as stage 3, the Group may further calculate the ECL based on probability-weighted scenarios to measure the expected credit loss. Each scenario is associated with different exposure at default and probability.

Incorporation of forward-looking information

When estimating the ECL on margin loan receivables and loans and interest receivables, the Group has incorporated forward-looking economic information through the experienced credit judgement to reflect the qualitative factors.

The credit policies have been followed by the Group since prior years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.3 Liquidity risk

Internally generated cash flows is the source of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2021, the Group has available banking and other financing facilities of approximately HK\$20,000,000 (2020: HK\$20,000,000) and HK\$35,000,000 (2020: Nil) respectively, which were not utilised (note 34).

The liquidity policies have been followed by the Group since prior years and are considered to be effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted cash flows, is as follows:

| | Carrying amount HK\$'000 | Total contractual undiscounted cash flow HK\$'000 | On demand or within 1 year HK\$'000 | Within 2-5 years HK\$'000 |
|-------------------------------|--------------------------------|---|---|---------------------------------|
| As at 31 December 2021 | | | | |
| Trade payables | 15,598 | 15,598 | 15,598 | — |
| Accruals and other payables | 1,223 | 1,223 | 1,223 | — |
| Lease liabilities | 4,744 | 4,819 | 3,213 | 1,606 |
| Debentures | 1,000 | 1,000 | 1,000 | — |
| | 22,565 | 22,640 | 21,034 | 1,606 |
| As at 31 December 2020 | | | | |
| Trade payables | 12,930 | 12,930 | 12,930 | — |
| Accruals and other payables | 1,444 | 1,444 | 1,444 | — |
| Lease liabilities | 2,458 | 2,482 | 2,482 | — |
| Debentures | 1,000 | 1,000 | — | 1,000 |
| | 17,832 | 17,856 | 16,856 | 1,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. FAIR VALUE MEASUREMENT

Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under non-current assets, current assets, current liabilities and non-current liabilities respectively, approximate their fair value.

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement (CNS) money obligations receivables and payables with the clearing house, Hong Kong Securities Clearing Company Limited ("HKSCC") and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of CNS money obligations receivables or payables and other receivables and payables (such as deposits included under other assets), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intend to settle the balance on a net basis.

(a) Financial assets subject to offsetting, enforceable master netting arrangement and similar arrangements

| | Amounts due from HKSCC | |
|---|------------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Gross amount of recognised financial assets (net of impairment) | 1,234 | 8,254 |
| Gross amount of recognised financial liabilities offset in the consolidated statement of financial position | (1,110) | (8,254) |
| Net amounts of financial assets included in the consolidated statement of financial position | 124 | — |
| Net amounts | 124 | — |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

(b) *Financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements*

| | Amounts due to HKSCC | |
|--|----------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Gross amount of recognised financial liabilities | 1,110 | 8,254 |
| Gross amount of recognised financial assets offset in the consolidated statement of financial position | (1,110) | (8,276) |
| Net amounts of financial liabilities included in the consolidated statement of financial position | — | (22) |
| Net amounts | — | (22) |

(c) *Reconciliation to trade receivables and trade payables as presented in the consolidated statement of financial position*

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Trade receivables | | |
| Net amounts of financial assets included in the consolidated statement of financial position | 124 | — |
| Trade receivables not within the scope of offsetting disclosure | 27,986 | 32,875 |
| Trade receivables presented in the consolidated statement of financial position | 28,110 | 32,875 |
| Trade payables | | |
| Net amounts of financial liabilities included in the consolidated statement of financial position | — | 22 |
| Trade payables not within the scope of offsetting disclosure | 15,598 | 12,908 |
| Trade payables presented in the consolidated statement of financial position | 15,598 | 12,930 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of capital and reserves, which include issued share capital and reserves as set out on the consolidated statement of financial position, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issuance of share capital.

A subsidiary of the Group, Orient Securities is licensed with Securities and Futures Commission ("SFC") for the business it operates in. Orient Securities is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Orient Securities must maintain a 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. The required information is filed with the SFC on a monthly basis.

Orient Securities has complied to maintain the required amount of liquid capital throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Debentures HK\$'000 (note 27) | Lease Liabilities HK\$'000 (note 26) | Total HK\$'000 |
|--|---|--|---------------------------------|
| At 1 January 2020 | 1,000 | 7,658 | 8,658 |
| Financing cash outflows: | | | |
| Repayment of principal amount of the lease liabilities | — | (5,382) | (5,382) |
| Interest paid | (75) | — | (75) |
| Other changes: | | | |
| Interest expenses | 75 | 182 | 257 |
| At 31 December 2020 and 1 January 2021 | 1,000 | 2,458 | 3,458 |
| Financing cash outflows: | | | |
| Repayment of principal amount of the lease liabilities | — | (4,089) | (4,089) |
| Interest paid | (75) | — | (75) |
| Other changes: | | | |
| Addition | — | 6,295 | 6,295 |
| Interest expenses | 75 | 80 | 155 |
| At 31 December 2021 | 1,000 | 4,744 | 5,744 |

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue by the board of directors on 29 April 2022.

FINANCIAL SUMMARY

RESULTS

| | Year ended 31 December | | | | 2021 HK\$'000 |
|---|------------------------|------------------|------------------|------------------|------------------|
| | 2017 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | |
| REVENUE | 30,020 | 29,774 | 34,747 | 59,292 | 46,074 |
| Other income | 351 | 5 | 7 | 1,539 | 4 |
| Employee costs | (14,129) | (13,861) | (11,606) | (10,946) | (9,340) |
| Administrative expenses | (14,337) | (13,579) | (12,305) | (12,882) | (10,444) |
| Other operating expenses | — | (2,443) | (2,546) | (15,604) | (3,524) |
| Finance costs | (7) | (98) | (429) | (257) | (155) |
| PROFIT/(LOSS) BEFORE INCOME TAX | 1,898 | (202) | 7,868 | 21,142 | 23,245 |
| Income tax expense | (2,297) | (1,895) | (3,695) | (4,282) | (5,270) |
| PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY | (399) | (2,097) | 4,173 | 16,860 | 17,975 |
| Other comprehensive income for the year | — | — | — | — | — |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY | (399) | (2,097) | 4,173 | 16,860 | 17,975 |
| EARNINGS/(LOSS) PER SHARE | | | | | |
| Basic and diluted | (0.10) cents | (0.49) cents | 0.97 cents | 3.90 cents | 4.16 cents |

ASSETS AND LIABILITIES

| | As at 31 December | | | | 2021 HK\$'000 |
|-------------------|-------------------|------------------|------------------|------------------|------------------|
| | 2017 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | |
| Total assets | 385,008 | 369,611 | 345,393 | 354,023 | 381,906 |
| Total liabilities | (69,839) | (59,963) | (31,572) | (23,342) | (33,250) |
| Net assets | 315,169 | 309,648 | 313,821 | 330,681 | 348,656 |