中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)
Stock Code 股份代號：952

2021
Annual Report
年報

Your Growth Partner
與你邁向成功的夥伴

This report is printed on environmentally friendly paper 本報告以環保紙印製

Contents

Definitions

"Board"	means	the board of Directors
"China Oceanwide"	means	China Oceanwide Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 715)
"Company"	means	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 952)
"Director(s)"	means	the director(s) of the Company
"Group"	means	the Company and its subsidiaries
"HK$"	means	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
"Oceanwide Holdings"	means	Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000046)
"Oceanwide Holdings IF"	means	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
"PRC"	means	the People's Republic of China, which for the purpose of this annual report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"SFO"	means	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	means	ordinary share(s) of Hong Kong one third of one cent each in the share capital of the Company
"Shareholder(s)"	means	the holder(s) of the Shares
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited
"%"	means	per cent.

For the purpose of this annual report, unless otherwise specified or the context requires otherwise, "" denotes an English translations of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

Corporate Information

BOARD OF DIRECTORS

Mr. HAN Xiaosheng *(Chairman)*
Mr. FANG Zhou *(Deputy Chairman)*
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing *(Chief Executive Officer)*
Mr. LIU Bing^
Mr. ZHAO Yingwei^
Mr. ZHAO Xiaoxia^
Mr. Roy LO Wa Kei#
Mr. KONG Aiguo#
Mr. LIU Jipeng#
Mr. HE Xuehui#
Mr. HUANG Yajun#

^ *Non-Executive Director*
# *Independent Non-executive Director*

EXECUTIVE COMMITTEE

Chairman:	Mr. FANG Zhou
Vice-Chairman:	Mr. Kenneth LAM Kin Hing
Members:	Mr. HAN Xiaosheng
	Mr. LIU Hongwei

AUDIT COMMITTEE

Chairman:	Mr. Roy LO Wa Kei
Members:	Mr. ZHAO Yingwei
	Mr. KONG Aiguo
	Mr. LIU Jipeng
	Mr. HE Xuehui
	Mr. HUANG Yajun

REMUNERATION COMMITTEE

Chairman:	Mr. KONG Aiguo
Members:	Mr. FANG Zhou
	Mr. LIU Hongwei
	Mr. LIU Jipeng
	Mr. HE Xuehui
	Mr. HUANG Yajun

NOMINATION COMMITTEE

(Established on 16 March 2022)

Chairman:	Mr. HAN Xiaosheng
Members:	Mr. Kenneth LAM Kin Hing
	Mr. Roy LO Wa Kei
	Mr. KONG Aiguo
	Mr. LIU Jipeng
	Mr. HE Xuehui

COMPANY SECRETARY

Ms. Hortense CHEUNG Ho Sze

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

HONG KONG LEGAL ADVISER

Howse Williams

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd. Hong Kong Branch
Chong Hing Bank Limited
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

STOCK CODE

952

WEBSITE OF TONGHAI FINANCIAL GROUP

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INVESTOR RELATIONS

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Chairman's Statement

Dear Shareholders,

On behalf of the Board, I would like to present to you the annual report of China Tonghai International Financial Limited for the year ended 31 December 2021.

The Group experienced a significant drop in the profit and recorded the consolidated loss before tax of approximately HK$2,199 million for 2021 as compared with the consolidated profit before tax of approximately HK$113 million for the same period of 2020. Factors contributed to such loss were the impairment provision and fair value changes in connected parties' loans and bonds. By excluding the effects from the connected parties, the Group recorded a profit before tax of approximately of HK$78 million in 2021.

In facing the prolonged difficult business environment under the pandemic, the Group has maintained its market competitiveness by reviewing the business strategies constantly, enhancing the effectiveness of the operation of the Group and revisiting the Group's capital requirements. The Group has also explored new revenue stream, managed the investment portfolios strategically and took a prudent approach on risk control. All these measures would gradually help to improve the financial performance of the Group.

The Group continued to extend its care to the employees and society to fulfil its corporate social responsibility and to contribute to environmental protection. The Group implemented the work from home arrangement in order to reduce the risk of employees commuting from work and home during the pandemic and flexible working hours arrangement. The Group donated face masks to the elderly through the help of St Lawrence's Church in order to show the commitment to standing by the needy in good times and in challenging time. Moreover, the Group was awarded the CarbonCare® ESG Label granted by CarbonCare InnoLab again to recognize the sustainability development and efforts towards a greener future of the Group.

Looking forward to 2022, the major economies are regaining momentum and the business activities are resumed gradually. The real GDP in Hong Kong rebounded visibly by 6.4% in 2021 after two years of severe recession. Unemployment rate also fell to 3.9%. The board is cautiously optimistic that the economy would eventually become more progressing following the measures implemented by the government to manage and contain the pandemic. The Group will keep on strengthening the business prospects of the brokerage, corporate finance and asset management businesses and also continue to strike a balance between risk and return.

On behalf of the Board, I would like to express my gratitude to all employees for their resilience and dedication to help the Group to overcome the severe and adverse environment. I would also like to appreciate our Shareholders and stakeholders for their continual support. The Group would keep overcoming internal and external challenges while maintaining sustainable and to create greater value for our investors and Shareholders.

Yours truly,
Han Xiaosheng
Chairman

Hong Kong, 14 April 2022

Chief Executive Officer's Review

Dear Shareholders,

With a grain of salt to repeat what we stated in the opening paragraph of our annual results announcement, our loss before tax for year 2021 is HK$2,199 million. Had we been able to exclude the impairment provision and fair value changes in connected parties loans and bonds, our profit before tax would have been HK$78 million. These are also figures within the range that we have stated in our profit warning announcement published in March 2022.

While this result is unpleasant indeed, perhaps we would do some recap just to understand more of the causes.

The immediate reasons for our heavy losses were from the provisions made on our connected parties. The circumstantial factors, however, were driven by the fact that throughout the entire year of 2021, the macro environment has been harsh toward real estate developers where our connected parties belong. Further adding pressure has been the effect of COVID-19 which has substantially slowed down the economic activities, hence assets disposals and its pace and valuation. Their liquidity problems when the news were announced, coupled with the announcement of receivership drawn towards their shareholding in the Company (the "AOR"), we had to deal with these negative over spills and continue with our business operations with measures that can upkeep its smoothness.

In brief, matched funding in our balance sheet has been the top priority, hence the reduction of our investment gain from HK$203.4 million to HK$34.0 million. Tight cost control measures have also been implemented, which perhaps could be reflected in those consolidated expenses items in our profit and loss.

With this philosophy, the major effects on our core operating units were:

(i) Corporate Finance: its staff turnover issue has been managed well. Revenue, in fact, has increased by 86% albeit we were faced with some cancellation of IPO mandates when the news on the AOR was announced at the beginning of our final quarter of last year.

Almost six months lapsed now as the effect of this AOR been announced, and our ability to complete mandates have also continued showing, our momentum shall continue in 2022.

(ii) Asset Management: The major cause for our 17% reduction in revenue was COVID-19. Restricted travelling in all parts of the world particularly China has slowed down all launch of new products, discontinued investment management mandates after lapse, suspended marketing and sales efforts, and under-performance of our invested funds. Present adjustments shall include the upgrade of our portfolio management capabilities and re-alignment of our marketing and sales team.

(iii) Brokerage Business: It fell the most victim from the AOR, and the impact on them has mostly shown on its leverage capabilities, hence the up groom of our customers portfolio. The revenue turnover for their commission income has been good in the first 5 months of 2021, and growth plan has been launched. However, the scenario turned after May, and the impact created also felt in the staff turnover. Growth is forced to slow down, and to suspend some customers acquisitions and our new product launch.

Looking into our silver lining, however, we could also point out to our Shareholders that we have already announced the debt-equity-swap of one of our continuing connected transactions into their Wuhan property holding company. Due diligence is well under way with a transaction volume of about HK$2.2 billion. This shall help substantially to alleviate the overhang of the continuing connected transactions and the re-instatement of the net asset value. Target completion date is within this year.

Soon to expect the re-opening of travel restrictions our overseas partners of our Asset Management are helping to prepare already our next wave of product launch, primarily RMB linked. Trusting its warm reception, we are hopeful that our asset under management shall catch up on our lost ground. Same for our Corporate Finance deals in our pipeline are increasing, which may enjoy its fast track when travelling are resumed normal. Brokerage business has stabilized as sales recruitments are also steadily increasing.

Among the management team, we are confident that the worst is almost over. Our Tonghai Financial shall recover from the turmoil, sustained with vigor and momentum.

Kenneth LAM Kin Hing
Chief Executive Officer

Management Discussion and Analysis

Macro Environment

The negative impact of COVID-19 on world economy continue to spill over into 2021. Fortunately, the positive effects of fiscal stimulus and supportive monetary policies rolled out by countries around the world to limit the damage of the pandemic and to kickstart the economy began to surface especially after vaccines were introduced which enabled the transition of living back to normalcy. Earnings of corporations grew in general, unemployment rates declined and economies rebounded. Many major stock markets posted significant positive return, with the S&P 500 and Dow Jones Industrial increased by about 26.9% and 18.7% respectively. However, the high energy prices, shortage of labour and supply chain pressure induced inflation and the US has already increased interest rates as a result. Although the impact of the pandemic is expected to continue to ease and international travelling and transportation resumes back to normal, there are downside risks from the reduction of bond purchase by the US Government, rising interest rate expectation and the crisis with Russia and Ukraine. The macro environment of the world is still full of changes and uncertainties.

Hong Kong Market Review

Hong Kong has been hard hit by the pandemic as international traveling continues to be severely restricted and stringent social distancing measures that severely impacted operations of many businesses. The number of visitors in 2021 was about 91,000, a drop of about 97.4% compared to 2020, and a drop of about 99.8% as compared to about 55.9 million visitors in 2019. However, Hong Kong's GDP grew 6.4% in 2021 after a 6.5% drop in 2020 as a result of support from various Government measures. In our opinion, despite many global stock markets recording strong gains, the Hong Kong stock market has been severely affected by the pandemic, the increase in stamp duty on stocks and the financial crisis of PRC real estate developers. The Hang Seng Index fell by about 14% to 23,397 points, while the average daily turnover of the Hong Kong stock market increased by about 29% YOY to HK$166.7 billion. The IPO market in Hong Kong also suffered as it experienced a drop of about 17% in total funds raised in 2021. The Hong Kong market went down further after the turn of the year owing to the macro environment and the negative impact of the fifth wave of COVID-19.

Results and Overview

The Group's revenue decreased by 22% to HK$858 million in 2021 (2020: HK$1,105 million). Excluding the revenue stream of "investments and others business" of HK$44 million in 2021 (2020: HK$212 million), the revenue of other four business streams in 2021 amounts to HK$814 million, which is approximately 9% less than HK$893 million in 2020. Net loss for 2021 is around HK$2,261 million as compared to net profit of HK$103 million for 2020. The main reason for such loss was due to impairment provision and fair value changes in connected parties' loans and bonds. If we exclude these effects from connected parties, the Group's profit before tax in 2021 would be HK$78 million (2020: HK$253 million). The Group does not recommend the payment of any final dividend for 2021 (2020: HK0.5 cent per share).

Business Review

Our licensed businesses (including regulated activities licensed by the Securities and Futures Commission and money lending) experienced an approximately 9% drop in revenue from about HK$893 million to about HK$814 million, principally attributable to a drop in commission on dealings in futures and options contracts primarily as a result of tightened regulations affecting volume of business from clients in mainland China, and reduction in interest income from bonds measured at fair value through profit or loss and others. The Group is satisfied with the above results amidst the ongoing impact of COVID-19, the volatile Hong Kong stock market whereby the Hang Seng Index dropped by about 14% and drops in both primary and secondary fund raisings in Hong Kong.

Although our investments and others business recorded a gain of about HK$44 million, it's over-shadowed by the bumper gain of about HK$212 million in 2020.

Financial Review

As the financial performance from investments and others business are subject to high volatility, we have presented the following analysis of revenue of our licensed businesses to better understand our core operating businesses:

Revenue	**2021 HK$ million**	**2021 Proportion**	2020 HK$ million	2020 Proportion	Change
Corporate finance business	**26**	**3%**	14	1%	86%
Asset management business	**35**	**5%**	42	5%	(17%)
Brokerage business	**140**	**17%**	170	19%	(18%)
Interest income business	**613**	**75%**	667	75%	(8%)
Total income excluding investments and others business	**814**	**100%**	893	100%	(9%)

Revenue from corporate finance business increased by 86% while total revenue from the other three businesses dropped by 10% compared to 2020. The proportion of revenue from corporate finance business increased from 1% in 2020 to 3% in 2021. The proportion of revenue from brokerage business decreased from 19% in 2020 to 17% in 2021. The proportion of revenue from asset management business and interest income business remained unchanged at around 5% and 75% respectively.

Corporate Finance Business

The Group's corporate finance business comprises sponsorship for listing, financial advisory, financing consultation service, equity capital market and debt capital market. Revenue from corporate finance business has increased approximately 86% from HK$14 million in 2020 to HK$26 million in 2021. It mainly comes from increased sponsorship fees and underwriting revenue as compared to 2020.

Management Discussion and Analysis

Asset Management Business

In 2021, total revenue from asset management business recorded HK$35 million, representing a decrease of 17% from HK$42 million in 2020. The decrease was mainly due to the decrease in performance fee income from both funds and discretionary accounts from HK$26.4 million in 2020 to HK$18.1 million in 2021. Our asset management business at the end of 2021 included the management of China Tonghai China Focus Segregated Portfolio ("CTCF", a private fund incorporated in the Cayman Islands), China Tonghai Greater China UCITS fund ("UCITS", a European public fund registered in Luxemburg), private equity funds named Oceanwide Pioneer Limited Partnership, Oceanwide Elite Limited Partnership, China Tonghai Guaranteed Return Segregated Portfolio, China Tonghai Minsheng Trust A Shares Segregated Portfolio, CT Prime MMT Limited Partnership and various discretionary accounts managed by both our asset management subsidiary and our securities subsidiary company. A number of our asset management products has expired and our asset under management as at 31 December 2021 was about HK$1 billion.

Brokerage Business

In 2021, total income from brokerage business recorded approximately HK$140 million, a decrease of 18% from HK$170 million in 2020, mainly due to the decrease in the commission income from global futures products. Commission income from dealing in Hong Kong securities decreased by 8% from HK$67.4 million in 2020 to HK$62.1 million in 2021, due to the decrease of our market share in the Hong Kong stock secondary market.

Interest Income Business

The Group's interest income business includes interest income from margin loans, interest income from other loans, interest income from proprietary investment business and interest income from treasury operation. Total revenue from interest income business in 2021 recorded HK$613 million, representing a 8% decrease from HK$667 million in 2020. The interest income from margin loans has reduced from HK$159 million in 2020 to HK$146 million in 2021 by 8% which was due to the drop in average margin loan amounts to clients and a reduction of interest rate charged to quality clients to stay competitive. The interest income from debt securities measured at fair value through profit or loss has dropped by 67% from HK$83.2 million in 2020 to HK$27.3 million in 2021 and the debt securities held at fair value through profit or loss has dropped from HK$711 million as at 31 December 2020 to HK$0 as at 31 December 2021. The interest income from debt securities measured at amortised cost has increased by 70% from HK$37.6 million in 2020 to HK$64.0 million in 2021. The balance before impairment allowance of debt securities held at amortised cost has increased from HK$128 million as at 31 December 2020 to HK$873 million as at 31 December 2021.

Investments and Others Business

Income from investments and others business has recorded HK$44 million in 2021 as compared to HK$212 million in 2020 as a result of lower gain on investments.

Expenses

In 2021, direct costs were about HK$142 million, representing a 14% decrease from HK$166 million in 2020. The decrease was mainly due to the decrease in commission expenses of our brokerage business. In 2021, staff costs recorded HK$186 million, representing a 27% decrease from HK$255 million in 2020 as a result of reduction of headcount and compensation.

In 2021, we recorded ECL provisions of approximately HK$2,583 million, representing a year-on-year increase of approximately 592% from HK$373 million in 2020. Most of the impairment losses in 2021 were related to connected loans and bonds.

Finance cost in 2021 was HK$62 million, representing a 44% drop from HK$110 million in 2020 as a result of substantial reduction in bank and non-bank borrowings and the drop of short tenor HIBOR resulting in lower interest expenses.

Other Information

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as through the utilization of banking facilities and short-term notes. From time to time, the Company may raise funding by issuing new shares or debt instruments. The Group's cash level at the end of 2021 was around HK$405 million (2020: HK$214 million).

At the end of 2021, the Group's total borrowings amounted to HK$1,503 million, decreased by 20% from HK$1,873 million at the end of 2020. Borrowings mainly consisted of three components. The first component was utilized bank facilities of around HK$1,187 million (2020: HK$1,503 million), of which the Group had available aggregate banking facilities of around HK$1,888 million (2020: HK$3,849 million). Most of our banking facilities are based on putting our margin clients' stock as collaterals (commonly known as "margin loan") and are pledged by certain group assets. The second component was private notes issued by our listed company and loans from other parties, which amounted to HK$316 million at the end of 2021 (2020: HK$370 million). They were very short term instruments ranging from 30 days to 180 days. The third component was the obligations under repurchase agreements, which was HK$ Nil as at the end of 2021 (2020: HK$2 million). At the end of 2021, the Group's gearing ratio (leverage) was 43% (2020: 33%), being calculated as total borrowings and lease liabilities over net assets. The increase in gearing ratio was due to the reduction in net assets as a result of the loss in 2021. The management has applied prudent risk and credit management on the borrowing. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in the securities margin lending business.

Material acquisitions, disposals and significant investments

For 2021, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies other than that has been announced. As at the end of 2021, the Group did not hold any significant investments.

Charges on the Group's assets

At the end of 2021, assets of HK$985 million (2020: HK$1,409 million) were charged to banks and other lender for facilities.

Employees and remuneration policies

On 31 December 2021, the Group had 222 full time employees (2020: 249) in Hong Kong and 33 full time employees (2020: 33) in Mainland China. In addition, the Group has 85 self-employed sales representatives (2020: 76). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and discretionary bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a mandatory provident fund scheme, medical and health insurance.

Risk management

The Group's business is closely related to the economy and market fluctuation of Hong Kong and China, and indirectly affected by other overseas financial markets. To cope with the unpredictable market fluctuation and minimize risks, the Group takes preventive measures and establishes a risk management system with defined segregation of duty between business departments on the front line and internal control units such as the Internal Audit Department, Risk Management Department and Compliance Department. The Risk Management Department of the Group is responsible for overseeing all risk management functions. These functions include risk identification, risk limits setting, measurement and monitoring of risk limits, analysis of risk scenarios, and producing timely reports to the senior management. The Risk Management team also perform pre- and post-risk assessments on both asset and liability items.

Credit risk

Credit risk is the risk in respect of loss arising from incompetence of a borrower, counterparty or issuer of financial instruments to meet its obligation, or potential deterioration of credit ratings. The Group has Credit Risk Approving Policy and Post Lending Monitoring Policy in place to dictate procedures and approving authorities required for all credit applications relating to increases in credit risk. The credit risks of the Group mainly arise from five business areas: corporate finance business, asset management business, brokerage business, interest income business and propriety investment business. The Group's senior management and other executives have also set up different Business Assessment Committee to review and approve credit risky products/transactions within each of the business line. Advance IT systems are also utilized by the Group to conduct daily monitoring on credit and concentration risk limits.

Market risk

Market risk refers to potential losses due to market price movement of investment positions held, which includes interest rates risk, equity prices risk and foreign exchange rates risk. Risk Management Department is responsible for setting up market risk limits and investment guidelines for the Group's various business functions and their investment activities. Investments with potential market risks are, where appropriate, assessed and approved by Risk Management Department. Monitoring and assessments of market risks positions are conducted timely, and significant risks shall be reported to senior management to ensure the market risks of the Group is controlled within an acceptable level. The Group continues to modify the market risk models through periodic back-testing and stress scenarios tests.

Liquidity risk

Liquidity risk refers to the risk that the Group might face in obtaining sufficient capital and funds in a timely manner to meet its payment obligations and capital requirements for normal business activities. Treasury Department is responsible for management and allocation of funds for the Group. Finance Department has a monitoring system to ensure compliance to relevant rules, including Financial Resources Rules (FRR) and financial covenants of lending banks. In addition, the Group has maintained good relationships with banks to secure stable channels for short-term financing such as borrowings and repurchases. The Group may also raise short-term working capital through public and private offerings of corporate notes. The Group has also established a liquidity system to ensure it has sufficient liquid assets to meet any emergency liquidity needs.

Operational risk

Operational risk is the risk of financial loss arises mainly from negligence or omission of internal procedural management, information system failures or personnel misconduct of staffs. The Group actively schedules briefing sessions to improve risk awareness amongst employees, and instructs all departments to establish internal procedural and control guidelines. There is an Operational Risk Events Reporting procedure to ensure that all risk events are timely reported to the Risk, Compliance and IT Department for immediate implementation of remedial action. The Group has a Business Continuity Policy and has a special task force to deal with whatever emergency situations may arise which could pose operational risks to us.

Regulatory compliance risk

As a financial group operating regulated businesses, we endeavor to meet the stringent and evolving regulatory requirements, including but not limited to those related to investor interest protection and market integrity and stability maintenance. Our Compliance team works closely together with internal and external professionals, who has continually reviewed our internal control processes to reduce the regulatory risks.

Prospects

2022 began discouragingly with the war between Russia and Ukraine, the Hong Kong's fifth wave of COVID-19, inflation in western countries and stagflation in the PRC. Against this backdrop, we will focus our resources in maintaining the soundness and sustainability of our brokerage, corporate finance and asset management businesses, and improving our system efficiency and service quality. We shall closely monitor our credit exposure in non-margin loan to clients and has stopped to increase the principal amount lend to connected parties. In addition, we will review and reallocate our investment portfolios to adjust to the right risk appetite under the current marco-economic environment.

Environmental, Social and Governance Report

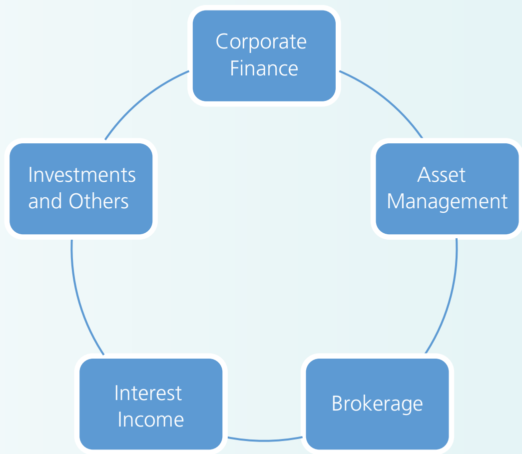
ABOUT THIS REPORT

This is the sixth Environmental, Social and Governance ("ESG") Report ("Report") published by the Group. It outlines the Group's sustainability strategy, measures and performance between 1 January 2021 and 31 December 2021 (the "year").

Reporting Scope and Boundary

The Report covers the Group's management approach to the sustainability topics of the five-core business, including corporate finance, asset management, brokerage, interest income, investments and others and covers the operations of offices[1] in Hong Kong

The core businesses of China Tonghai International Financial Limited



The reporting scope covers the operations of offices in Hong Kong. The reporting scope of business is the same as last year. While the Report does not cover the Group's operations in Mainland China, the Group plans to continuously enhance its data collection system to expand the scope of the disclosure in the future gradually.

[1] The reporting scope in this year covers seven offices in Central, Sai Ying Pun, and Tsim Sha Tsui East. One office has been closed in April 2021. Two offices in Central were closed in August 2020.

Reporting Standard

The Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "Guide") of the Listing Rules. The Report is prepared based on the following four reporting principles: materiality, quantitative, balance and consistency:

Materiality	The Group has conducted a stakeholder survey with its internal and external stakeholders. Through the survey, the Group identified material topics according to the significance of the Group's impacts and the importance of the issues for the stakeholders. The results have been reviewed and confirmed by the Board.
Quantitative	The Group, when appropriate, collects and assesses the quantitative data, and provide past performance data for comparison.
Balance	The Group is committed to providing an unbiased narrative explanation of the Group's performance.
Consistency	The Group uses consistent methodologies for a fair and meaningful comparison of the performance.

Data Preparation

The Group is responsible for the accuracy and reliability of the presented information in this Report. The information has been sourced from formal documents and statistical data of the Group. The Report has been reviewed and approved by the Board on 14 April 2022.

Feedback Channel

The Group values all feedback on this report and its ESG performance. Please contact the Group through the below channels:

Address: 18/F, China Building, 29 Queen's Road Central, Hong Kong

Email: marcomm@tonghaifinancial.com

ESG GOVERNANCE

The Group is committed to maintaining and upholding a high standard of corporate governance by ensuring a high ethical standard and safeguarding the interests of Shareholders and other stakeholders.

The Board understands sustainable governance is vital for business growth and operations and oversees the Group's overall ESG strategy and reporting to ensure that they are in line with the needs of the Group and comply with applicable legal and regulatory requirements. Therefore, an Environmental, Social and Governance ("ESG") Committee has been established and is responsible for implementing ESG policies and measures, assessing ESG performance, recommending improvement actions, and setting targets and goals under the Board's delegation. The Committee is chaired by the Company Secretary, which regularly reports to the Board. The Board will continue to review the effectiveness of ESG work by embedding the relevant philosophy into the development strategy and day-to-day operations to create value for our stakeholders.

Managing ESG Risks

The Board is accountable for overseeing the Group's risk management and internal control systems and maintaining their effectiveness on an ongoing basis. The Group monitors the daily operations of all departments and identifies ESG-related risks through the risk management systems.

This year, the identified ESG risk is data security, which remain material from previous year, the Group has conducted an annual network security assessments and network attack simulation tests to mitigate the risks appropriately.

To enhance our ESG governance and board accountability, the Group will plan to establish long-term ESG strategy, goals and target setting in the future.

STAKEHOLDER ENGAGEMENT

During 2021, the Group has constantly communicated with critical internal and external stakeholders[2] through various channels, such as day-to-day operations, surveys, meetings, and workshops.

Key Stakeholders		Major focuses	Communication channels
Internal	Employees	• Industry and corporate trends • Staff welfare	• Company announcements • Performance evaluation • Whistleblowing channel
External	Shareholders	• Investment returns and interests • Risk management	• Annual General Meeting and other special meetings • Annual Report and Interim Report • Company website • Announcements and notices
	Business Partners	• Quality of partnerships • Business ethics	• Business meetings
	Customers	• Product quality • Customer service • Customer privacy	• Customer service hotline and email • Online chat bot • Customer complaint channel
	Regulatory authorities	• Operational compliance	• Enquiry from the regulatory authorities • Public consultations
	Communities	• Community development	• Sponsorships and donations • Volunteering

[2] Stakeholders are those who have considerable influence on the Group's business, and whom the Group's business has a significant impact on.

Identifying Material Issues

To identify, prioritise, and gain insights from a wide range of stakeholders on ESG issues, the Group has invited internal and external stakeholders to participate in an online survey and engaged a third party to conduct a four-phase assessment.

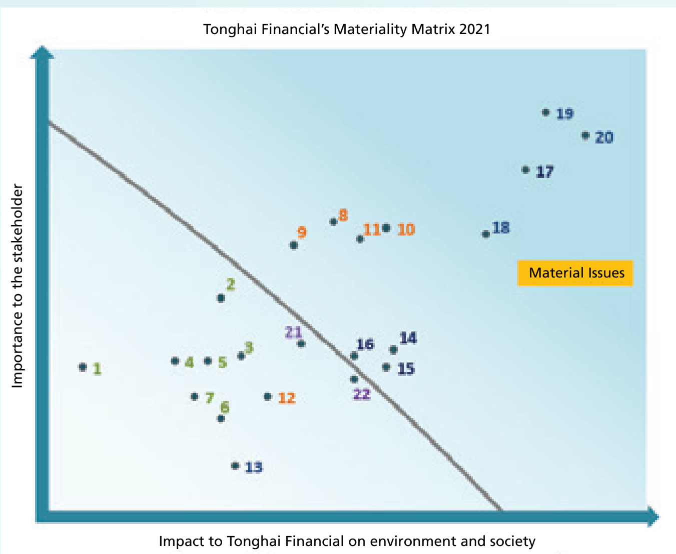
1. Identification
- Identified 22 relevant issues covering environmental and social issues, in reference to the local reporting standards.

2. Data Collection
- 73 valid responses were collected and analysesd.

3. Prioritisation
- Based on the survey results, a materiality matrix is developed. Among the 22 relevant issues,11 material issues were prioritised for us to address and report on.

4. Validation
- The result of the materiality assessment was approved by the Board.

The materiality matrix and the table of relevant ESG issues are presented below, illustrating the material topics based on their importance to our stakeholders and the Group's potential impact on ESG issues. During the year, material issues are similar to those of the previous year, with "Anti-money laundering" emerging as a new material issue. In the future, the Group will continue to strengthen its interaction with stakeholders to develop more diverse channels to gain exposure to stakeholders and create mutually beneficial relationships.



Material issues in accordance to the materiality in descending order

20 Anti-money laundering
19 Anti-corruption
17 Protecting customer privacy
18 Protecting intellectual property rights
10 Occupational health and safety
11 Training and development
8 Employment management system
9 Diversity, equal opportunity and eliminating discrimination
14 Product quality management
15 Fair and responsible marketing
16 After sales management
22 Supporting community development
21 Understanding the needs of the community
2 Waste management
3 Energy use and efficiency
12 Preventing child labour and forced labour
5 Other resource use and efficiency
4 Water use and efficiency
7 Responding to climate change
6 The environment and natural resources management
13 Supply chain management
1 Greenhouse gases and air pollutants management

RESPONSIBLE OPERATING PRACTICES

The Group is devoted to upholding the high standards of business integrity and corporate governance in its operations.

Anti-Corruption

To help safeguard the financial system, the Group operates a zero-tolerance stance on corruption, bribery, extortion, money laundering and other fraudulent activities. To maintain a fair, accountable, and transparent business operation, the Group abide by the laws and regulations. The Group's Staff Handbook outlines the standards and protocol for employees to follow and the definition of advantages, entertainment and the value cap of gifts. There were no legal cases regarding corrupt practices brought against the Group or its employees during the year.

When malpractice arises, the Group strives to identify and resolve it proactively. The Group has adopted a Whistle Blowing Policy and mechanism for staff to report any potential financial irregularities or non-compliance activities without fear of retribution. The Group Whistleblowing Policy provides a clear guideline of the list of potential irregularities and the reporting procedures. Whistleblowers can file their reports through email, post or in-person to the Head of Internal Audit. The Whistleblowing Committee would review the cases based on their validity and relevance. When an investigation is warranted. an investigation team will conduct the examination. During the year, no whistleblowing incidents were arising from malpractice or illegal activities.

Anti-corruption Training

To ensure potential legal and regulatory risks are appropriately mitigated in the business operation, the Group has invited Independent Commission Against Corruption (ICAC) to provide a virtual training, "Professional Ethics — Key to Success" to our key staff on 8 June 2021 which promote "anti-corruption within Financial industry". This year, 44 key employees were participated and engaged.

Anti-Money Laundering

The Group strictly abides by the Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) regulations. It is committed to maintaining a transparent record to ensure the confidence of our customers. The Group has a Compliance Manual[3] and has a robust AML/CFT program in place, which comprises the following components:

Identification

- Identify various red flags through the deployment of regulatory technology (RegTech) and the exercise of professional judgement

Assessment

- Initial and ongoing assessment of customers' money laundering risk through the detailed due diligence process

Screening

- Restrict dubious customer activities (e.g. third party payments, operation of multiple accounts)

[3] The Compliance Manual applies to Tonghai Financial Group's licensed corporations.

Reporting
• Report suspicious transactions to the relevant authorities on a timely basis

Training
• Provide sufficient AML training to all levels of staff every year

Over the years, our AML/CFT program has sufficiently identified misconducts such as market manipulation and unauthorized trading. Our well-trained employees can identify suspicious transactions and screen out high-risk customers promptly. The Group will continually improve our surveillance systems to expand our coverage of illicit activities and fine-tune its reporting quality.

Cybersecurity and Customer Privacy Protection

The Group places great emphasis to cybersecurity to safeguard our customer data as a core part of business operation. The Group is constantly working on strengthening our network security system to ensure it can withstand cyber-attacks. To prevent data leakage, all data are encrypted and well-controlled. This year, the Group has set up network wide monitoring system to further enhance the detection and prevention of any unauthorized devices and malware suspicious activities.

To ensure the customer data privacy is well secured, the Group has commissioned a third-party vendor to conduct annual network security assessments and conduct network attack simulation tests to ensure the effectiveness of network security. The Group also provides regular training and phishing tests to employees and constantly updates employees on the latest information on customer privacy protection.

Protecting Intellectual Property

The Group recognises the importance of intellectual property rights and ensures the confidentiality of proprietary information provided to or owned by us is well-protected. The Group has taken on protection measures such as maintaining and monitoring trademarks, and seeks consent on information from outsiders. The Group will also hire a third party to provide professional advice and assistance when necessary.

Ensuring Responsible Marketing Communications

Providing accurate, unbiased and transparent information on our products and services are vital for business longevity and good customer relationships. The Group's Compliance Department oversees and reviews all marketing materials for regulated products or services to ensure the content is accurate, reliable, and compliant with the latest regulatory requirements.

While offering our services and products, the Group is committed to business integrity in providing appropriate advice based on comprehensive factors and a clear explanation of the product's nature and potential risks to ensure the customers are well-informed for making investment decisions.

Active and diverse communication channels are established to handle operational inquiries and customer complaints promptly. All received complaints will be diverted to relevant business units and follow-up accordingly.

Product quality and after sales management

The Group has a Product and Risk Committee, which oversees new product launch based on the following criteria, such as category of product or services, overall risk appetite, tolerance and strategy, and taking account of the current and prospective market environment into the review process.

Managing Supply Chain

Effective supply chain management can help foster long-term business relationships with suppliers. The Group stringently select suppliers through a fair and transparent selection process. The Group has established a Procurement Policy, which outlines the procurement procedures and the role of the Procurement Panel. To maintain high quality products and services, constant communication and assessment are performed. The Group will consider the environmental & social risk along the supply chain practise and promote environmentally preferable product and services.

EMPLOYEE CARE

Employees are the backbone for the Group's long-term development and operations. The Group strives to provide a fair and supportive working environment through competitive remuneration and benefits. The Group has implemented internal policies as stated in the Staff Manual and the Employment and Labor Policy Statement on employment, health and safety, training and development.

Inclusive Workplace

The Group is committed to equal opportunity and providing an inclusive and fair working environment. The Group offers job opportunities to candidates regardless of gender, age, ethnic background, religion, etc. The Group has zero tolerance for discrimination based on gender, disability, family status, race, or other factors. The Group also offers employment regardless of age, in which, nine employees are 60 years old or above.

Safeguarding Employee Rights

The Group forbids the employment of child labour and forced labour, in line with the laws and regulations. The Human Resources Department will verify the identification documents during the recruitment process to ensure the individual is eligible to work. If any cases of child labour or forced labour is discovered, formulate effective remedial measures in due course. Standard working hours are also clearly stated in the Staff Manual.

A grievance mechanism is in place for reporting suspected violations, such as discrimination and sexual harassment. All the complaints will proceed to the Human Resources Department for investigations and follow-up actions.

Employment

To attract and retain talents, the Group offers comprehensive remuneration packages, which including bonuses, incentives, and welfare benefits. The Group also offers annual leaves and medical coverage to the staff. The salary is evaluated based on the industry standard, the economy, inflations, staff's qualification and performance on the performance appraisal.

Health and Safety

To ensure staff's health during COVID-19, physical meetings shall be avoided as much as practicable and replaced by teleconference or videoconference, and staff should avoid business travel aboard. To protect our staff and mitigate the spreading of COVID-19 in the workplace, the Group has formulated COVID-19 Prevention Temporary Measures. The Group has granted a full day of special paid leave for each dose of COVID-19 vaccine received and held a "lucky draw" event to staff who get vaccinated to promote vaccination. The Group also adopted work-from-home policy and flexible working hours arrangement for staff.

The Group has enrolled medical insurance for all eligible employees and immediate family members. This year, there are two work injury cases, the Group has reimbursed medical claims and provided paid sick leaves. In addition, a voluntary supplementary medical insurance plan is also available for other employees' family members.

Developing Talents

Staff learning and development are vital for sustainable business growth and enhancing competitiveness. The Group has established a career development path for staff. Staff's performance can be reviewed based on work, leadership and teamwork through an annual performance appraisal, and those with good performance will be offered promotion opportunities. The Group has spared no efforts in providing staff opportunities of in-house training programs and external sponsorship.

The major type of training includes:

On-board training	On-the-job training	External sponsorships
• Orientation • corporate culture and background • product training • compliance training	• product and services • compliance and regulatory updates • anti-money laundering • risk management and internal control • IT security awareness • cybersecurity • professional development for eligible staff	• professional training on Securities and Futures Commission (SFC) • ICAC Seminar

Employee Recognition Award Scheme

The quarterly Employee Recognition Award Scheme was launched for the first time in 2020. It aims to continuously discover star employees, motivate employee morale, increase enthusiasm for work, and commend outstanding employees who have made exceptional contributions to the Group.

GROWING WITH THE COMMUNITY

The Group recognises community investment is vital to sustainable business development and is committed to being a "Growth Partners" to create values in the surrounding communities. The Group's Community Investment Policy Statement highlights three aspects, which are "Charity and Sponsorships", "Education", and "Community Events". During the year, the Group has taken various initiatives in supporting community projects with a total contribution of HK$631,500 and mobilising 24 staff to participate in community events.

Highlights of community activities	
Arts and Culture	• Sponsoring the Inaugural Concert — "EXOTICA" Presented by Hong Kong Grand Opera
Sports	• Sponsoring The Third Tournament of Tonghai Financial Mini Red Competition • Sponsoring Never Golf Alone — Hong Kong Charity Golf Competition 2021 to establish a guide dogs training school
Environment	• Supporting the "Earth Hour" Lights-Out Event • Distributing 50,000 eco-friendly cutlery sets to visitors at the 8th Hong Kong Food Carnival to promote low-carbon lifestyle
Health	• Donating a total of 10,000 face masks to the elderly through the help of St Lawrence's Church
Education	• Sponsoring 2021 HKMA Business Simulation Competition for Secondary School Students • Donating World Wide Fund for Nature (WWF)'s 2021 Hoi Ha Wan Festival Tickets to Po Leung Kuk, providing grass-roots children and with an one day ecological tour at Hoi Ha Wan Marine Park

In recognition of on-going corporate social responsibility, the Company has received the following awards and recognitions:

Awards and recognitions
CarbonCare® ESG Label 2021 **WWF Silver Member 2021–22** **Caring Company Logo 2017–21**

PROTECTING THE ENVIRONMENT

Climate change is one of the greatest threats to the planet. The Group recognises the cross-dimensional impacts from frequent extreme climate events, sea level rises would bring threats to the public health, food and water systems and is committed to addressing climate risks in a timely and proactive manner.

The Group's Environmental Protection Policy Statements outlines its management approach towards emissions, use of resources, and environmental and natural resources. To enhance the commitment towards environmental protection, the Group is formulating targets on emission, hazardous and non-hazardous wastes reduction, energy use efficiency, and water efficiency and will provide targets next year.

Transitioning toward a zero-carbon economy

This year, the Group has initiated the establishment of Climate Change Policy, which set out the risk management approach at a corporate level. Looking forward, the Group plans to identify significant climate issues which may impact our operations, further formulate short and long-term action plan to build resilience against climate change impacts and improve transparency of the Group in climate-related financial risk management to advance green finance.

Managing Resources and Wastes

During the year, the Group has consumed 577 m^3 of water. The water consumption intensity was 260 m^3 per staff. Compared with last year, water consumption has been increased by 29%. The Group does not encounter any problems sourcing water in the daily operation.

The Group has generated 0.05 tonnes of hazardous waste, mainly water fluorescent light tubes (including LCD backlight tubes). The hazardous waste was collected and handled by the property management. Besides, the Group has generated 12.1 tonnes of non-hazardous waste, mainly domestic waste. The property management collected the waste and transferred to garbage collection points.

The Group is committed to minimizing its environmental footprint through upholding the principles of "3Rs — reduce, reuse, and recycle". With the business nature that mainly operates in the office setting, the Group has the following water, paper, and waste management measures.

Use of resources	Measures
Water	• Raise awareness on water conservation through a poster campaign • Monthly Inspection of all faucets and pipelines to avoid leakages
Paper	• Reduce the use of paper by adopting Office Automation (OA) system in the operation • Promote the use of electronic version when delivering corporate brochures • Use environmentally friendly papers and materials, such as FSC-certified papers • Encourage double-sided printing for printers and photocopiers • Reuse folders and envelopes for internal communications • Confidential papers are collected collectively through a certified confidential recycling company
Waste	• Provide non-disposable tableware to staff • Discourage the use of disposable single-use plastic and products • Recycling bins are being placed in offices • Encourage the staff to recycle wasted papers

Managing Emission and Energy

During the year, the Group's energy consumption is 463.9 MWh, and the intensity is 2.09 MWh per staff. The major source of energy consumption is purchased electricity, which accounts for 98% of the total energy consumption.

To further reduce the energy consumption, the Group has the below measures:

Aspect	Measures
Electricity	• Clean the filter and coiled fan regularly • Replace broken lamps with LED lamp type "Philip-Ecofit LED" • Purchase electrical appliance with Grade 1 Energy Label • Introduce energy-efficient equipment, such as devices with energy efficiency labels • Switch off unnecessary electronic appliances during off-hours

The Group monitors carbon footprint regularly in order to assess the impact of greenhouse gas ("GHG") emissions generated from the operations. This year, the Group continued to employ an external professional consultancy to conduct a carbon assessment on quantifying the GHG emissions[4] of the operations.

During the year, the Group's total GHG emissions are 334.5 tonnes of CO_2-e, of which energy indirect emissions, caused by purchased electricity[5] (Scope 2), which account for 97% of the total GHG emissions, has reduced 13% compared with previous year due to work-from-home policy, one of the offices being closed, and internal training on raising staff's environmental awareness. The indirect emissions (Scope 3), caused by less business flight this year, which account for 2% of the total GHG emissions respectively. The total greenhouse gas emissions intensity is 1.51 tonnes of CO_2-e/staff.

The major source of air pollutants emissions stemmed from mobile combustion. Compared with previous year, the nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and respirable suspended particulates ("RSP") have been increased 2%, 0% and 0% respectively. To reduce air and GHG emissions from the vehicles' fuels combustion, the Group encourages staff to avoid business travelling by conducting tele-conferencing or video-conferencing.

4 The GHG emissions were assessed according to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

5 Electricity consumed by the majority of the Group's offices is supplied by The Hongkong Electric Company, Limited. Only an office located in New East Ocean Centre purchases electricity from CLP Holdings Limited.

REGULATORY COMPLIANCE

The Group is strictly complying with all local laws and regulations. It is aware any violation of the laws and regulations may lead to repercussions such as enforcement actions by regulatory organisations, fines, and penalties. Accordingly, the Group has adopted appropriate internal control measures to ensure the business operations meet stringent regulatory requirements. Throughout the year, as far as the Board and management are aware, there was no material breach of, or non-compliance with, the applicable laws and regulations by the Group that has a significant impact on its business and operations.

Aspects	Relevant Laws and Regulations with Significant Impacts	Disclosure on Compliance
A1 Emissions	• Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) • Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) • Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)	In this year, no cases of non-compliance concerning emissions were reported.
B1 Employment	• Employment Ordinance (Chapter 57 of the Laws of Hong Kong) • Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)	In this year, no cases of non-compliance concerning employment were reported.
B2 Health and Safety	• Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) • Employee Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)	In this year, no cases of non-compliance concerning health and safety were reported.
B4 Labour Standards	• Employment Ordinance (Chapter 57 of the Laws of Hong Kong) • Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong)	In this year, no cases of non-compliance concerning labour standards were reported.
B6 Product Responsibility	• Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)	In this year, no cases of non-compliance concerning product responsibility were reported.
B7 Anti-corruption	• Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) • Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong)	In this year, no cases of non-compliance concerning anti-corruption were reported, and there was no corruption litigation against the Group or its staff.

KEY PERFORMANCE INDICATOR SUMMARY

Environmental Performance

A1 Emissions	Unit	2021	2020	2019
Air emissions				
Nitrogen oxides (NO_x)	kg	0.55	0.54	1.66
Sulphur oxides (SO_x)	kg	0.02	0.02	0.04
Respiratory suspended particulates (RSP)	kg	0.04	0.04	0.12
Greenhouse gas (GHG) emissions				
Scope 1 Direct emissions	tonnes CO_2-e	2.8	2.9	7.3
Scope 2 Energy indirect emissions	tonnes CO_2-e	324.4	373.5	366.6
Scope 3 Other indirect emissions	tonnes CO_2-e	7.3	11.7	135.0
Total GHG emissions	tonnes CO_2-e	334.5	388.1	508.9
Intensity of GHG emissions	tonnes CO_2-e/ staff	1.51	1.55	1.60
Waste				
Total hazardous waste produced	tonnes	0.05	0.02	0.03
Intensity of hazardous waste produced	tonnes/ '000 staff	0.2	0.1	0.09
Total non-hazardous waste produced	tonnes	12.1	12.0	11.8
Intensity of non-hazardous waste produced	tonnes/staff	0.05	0.05	0.04
A2 Use of resources				
Energy use				
Petrol	MWh	9.7	10.1	25.1
Electricity	MWh	454.3	464.1	458.9
Total energy consumption	MWh	463.9	474.2	484.0
Intensity of energy consumption	MWh/staff	2.09	1.90	1.52
Water use				
Total water consumption	m^3	577	448	621
Intensity of water consumption	m^3/staff	2.60	1.79	1.95
Packaging materials[6]				
Total packaging materials used	tonnes	Not material		
Packaging materials used per unit produced	tonnes	Not material		

[6] The operations of offices did not involve any use of packaging materials for finished products.

Social Performance

B1 Employment		Unit	2021	2020
Number of staff				
Total number of staff		person	228	250
By gender	Male		127	142
	Female		101	108
By age	Under 30		45	52
	30–50		150	162
	Over 50		33	36
By staff grade	Senior management		4	4
	Middle management		34	37
	General staff		190	209
By staff category	Full-time		222	249
	Part-time		6	1
By geographical region	Hong Kong		228	250
Number of other workers[7]				
Self-employed	Market trading services[8]	person	85	72
	Office cleaning services		4	4
Contractual staff	Consultant		2	2
	Intern		12	7[9]
New-hired staff number and rate				
Number and rate of the new-hired staff		person%	52 (22.8%)	60 (24.0%)
By gender	Male		23 (18.1%)	31 (21.8%)
	Female		29 (28.7%)	29 (26.9%)
By age	Under 30		20 (44.4%)	21 (40.4%)
	30–50		29 (19.3%)	31 (19.1%)
	Over 50		3 (9.0%)	8 (22.2%)
By geographical region	Hong Kong		52 (22.8%)	60 (24.0%)
Staff turnover number and rate				
Number and rate of the staff turnover		person%	74 (32.4%)	52 (20.8%)
By gender	Male		40 (31.4%)	26 (18.3%)
	Female		34 (33.6%)	26 (24.1%)
By age	Under 30		14 (31.1%)	13 (25.0%)
	30–50		54 (36.0%)	30 (18.5%)
	Over 50		6 (18.1%)	9 (25.0%)
By geographical region	Hong Kong		74 (32.4%)	52 (20.8%)

7 In accordance to HKEX "How to prepare an ESG Report" Appendix 3: Reporting guidance on Social KPIs, "other workers" refer to Agents/contractors/suppliers hired by the issuer to perform work at a workplace controlled by the issuer or in a public area and/or to deliver work/services at the workplace of a client of the issuer.

8 The marketing trading services included the account executive, relationship manager, and financial consultant.

9 Figure of 2020 has been changed due to change of coverage for this year's data.

B2 Occupational health and safety		2021 Staff	2021 Workers
Number of work-related fatalities over the past 3 years	person	0	0
Number of work-related injuries	person	2	0
Rate of work-related fatalities (per '00 staff)	%	0	
Rate of work-related injuries (per '00 staff)	%	0.9%	
Number of lost days due to work-related injuries	day	7.5	

B3 Training and Development		2021	2020
Percentage of staff trained[10]			
Male	%	49%	50.0%
Female	%	43%	45.4%
Total	%	46%	48.0%
Ratio of total staff trained			
Male	%	59%	59.2%
Female	%	41%	40.8%
Average training hours			
Male	hour/person	10.7	3.2
Female	hour/person	32.8	2.2
Total	hour/person	20.5	2.8
B5 Number of suppliers by geographical region (Percentage of suppliers where the engagement practices are being implemented)			
Hong Kong	Entity%	76[11] (17%)	26 (100%)
Mainland China	Entity%	2 (50%)	Information not available
B6 Percentage of total products sold or shipped subject to recalls for safety and health reasons			
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0	Information not available
Number of products and service-related complaints received	No. of complaints	15	Information not available
B8 Community Investment			
Culture	HK$	198,000	20,000
Environment	HK$	127,500	70,000
Education	HK$	26,000	550,000
Health	HK$	275,000	12,500
Sports	HK$	5,000	80,000
Total		**631,500**	**732,500**

10 Percentage of employees trained = Employees who took part in training/number of employees*100

11 The number of suppliers included suppliers from all departments

ESG REPORTING GUIDE CONTENT INDEX

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Governance Structure		17
Reporting Principles		17
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"Comply or Explain" Provisions		
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	24 – 27
A1.1	The types of emissions and respective emissions data	26, 28
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	26, 28
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	25, 28
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A1.5	Description of emission target(s) set and steps taken to achieve them.	25 – 26
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	25 – 26

Subject Areas, Aspects and KPIs	Description	Page Index/ Remarks
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General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	25 – 26
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	25, 28
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	25, 28
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	25 – 26
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	25
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A3 The Environment and Natural Resources		
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A4 Climate Change		
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A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	25

Subject Areas, Aspects and KPIs	Description	Page Index/ Remarks
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	22, 27
B1.1	Total workforce by gender, employment type, age group and geographical region	29
B1.2	Employee turnover rate by gender, age group and geographical region	29
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards	23, 27
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	30
B2.2	Lost days due to work injury	30
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	23

Subject Areas, Aspects and KPIs	Description	Page Index/ Remarks
B3 Development and Training		
General Disclosure	Policies on improving employee knowledge and skills for discharging duties at work. Description of training activities.	23
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	30
B3.2	The average training hours completed per employee by gender and employee category	30
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	22, 27
B4.1	Description of measures to review employment practices to avoid child and forced labour	22
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B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	22
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B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	22
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Subject Areas, Aspects and KPIs	Description	Page Index/ Remarks
B6 Product Responsibility		
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B6.2	Number of products and service related complaints received and how they are dealt with.	21,30
B6.3	Description of practices relating to observing and protecting intellectual property rights	21
B6.4	Description of quality assurance process and recall procedures.	21
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	21
B7 Anti-corruption		
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B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employee during the reporting period and the outcomes of the cases	20, 27
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B7.3	Description of anti-corruption training provided to directors and staff.	20
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	24
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	24
B8.2	Resources contributed (e.g. money or time) to the focus area.	24

TONGHAI FINANCIAL WAS THE GRAND SPONSOR OF HKMA 2021 THEME YEAR SUMMIT

★★★★
10 June 2021

The Company was partnered with The Hong Kong Management Association ("HKMA") becoming the Grand Sponsor of HKMA 2021 Theme Year Summit: Innovation x Impact for the Next Normal Confirmation, which was an online seminar held on 10 June 2021. With a powerful line-up of speakers including senior executives from Tencent, Huawei, S.F. Express, CUHK Medical Center, it provided an open platform to conduct in-depth conversation for the exchange of views on navigating the new normal. Representatives from enterprises were invited to share their insights with the future trend of technology and business, creating a lively occasion.

26 August 2021

TONGHAI FINANCIAL WAS THE GOLD SPONSOR OF 2021 HKMA BUSINESS SIMULATION COMPETITION

The Company was the Gold Sponsor of 2021 HKMA Business Simulation Competition for Secondary School Students. Ms. Jane CHAN, Head of Marketing & Corporate Communications of the Group was invited to attend The Final and Award Ceremony. The Competition was organized by HKMA's Global Academy for Youth Development, with main objectives to arouse curiosity and interest in business amongst secondary school students and to equip them with fundamental business knowledge and essential business acumen. The Company is dedicated to promoting all-round and positive development of youth, striving to nurture students with analytical, innovative thinking, communication and collaborative skills, while providing an opportunity for students to explore the fascinating world of business through a total immersion experience that focuses on business processes.

Corporate Events and Affiliations

TONGHAI FINANCIAL RENDERED FULL SUPPORT TO HKMA/ViuTV & NOW TV AWARDS 2021

★★★★
7 October 2021

The Company rendered full support to HKMA/ViuTV & Now TV Awards, which bestow honor and public recognition on individuals and organizations that have, through outstanding marketing programs, broken barriers and raised the standards of the marketing profession in Hong Kong. As part of the commitment, the Group has become the title sponsor of Excellence in Customer Insights Award that was given to those marketing campaigns which have developed customer insights through thorough analysis of customer needs and behavior and have turned the customer insights into business growth. The awards presentation ceremony took place at Hong Kong Conventional Hall in 7 October 2021, provided a valuable opportunity for gathering the marketing practitioners as well as serving as an excellent platform for sharing industry insights, which no doubt enriched the growth of marketing industry in Hong Kong and in the Region.

CHINA TONGHAI SECURITIES RECEIVED "PRIVATE WEALTH MANAGEMENT AWARD OF EXCELLENCE" AT NOW TV AWARD 2021

★★★★
15 November 2021

China Tonghai Securities has won the "Private Wealth Management Award of Excellence" from Now TV Leadership Business Award 2021. Mr. Stacey WONG, Chief Operating and Risk Officer of Tonghai Financial attended the award ceremony, said, "I was delight that our business have received such prestigious recognition. This award was an affirmation of our drive to meet customers' needs and targets in wealth management. China Tonghai Securities will continue to provide our clients with not only diversified securities, insurance and investment products, but also customised and professional financial planning." Now TV Award is designed to honour the good corporate governance practice, the award ceremony also served as a platform for engagement and the exchange of successful strategies.

19 November 2021

TONGHAI FINANCIAL AWARDED WITH "BEST COST-EFFECTIVE EVENT" AT MARKETING EVENTS AWARDS 2021

The Company has taken home an impressive testament to its clearly defined marketing position and flexible marketing strategies. "Quam Derivatives Double Reward", a crossover campaign for Quam Derivatives that jointly launched by Quamnet and Direct Spot has won a distinguished award "Best Cost-Effective Event" at Marketing Events Awards 2021. This award recognizes the event conceptualized and executed within a limited budget, which still created buzz and raised brand awareness. Judges have looked at the role and contribution of the event that drove customer engagement while being financially smart. The awarded campaign was carried out with an aim to promote Quam Derivatives, which is a Callable Bull/Bear Contracts (CBBC) and Warrant mobile trading applications developed by the Group's subsidiary, Quamnet.

During the campaign period, overwhelming responses were received from the general public, while the positive impression also be reflected in terms of the growing account opening request and activity of the users. Mr. Calvin CHIU, Deputy Chief Executive Officer of China Tonghai Securities; Ms. Doris YAN, Managing Director of China Tonghai Securities; Mr. Andy CHAN, Managing Director of China Tonghai Financial Media and Ms. Jane CHAN, Head of Marketing & Corporate Communications of the Company attended the Awards Ceremony and Gala Dinner at Hotel ICON to celebrate the accomplishment.

Corporate Events and Affiliations

30 November 2021

DEDICATING TO PROMOTING ARTS AND CULTURE DEVELOPMENT, CHINA TONGHAI PRIVATE WEALTH MANAGEMENT TITLE-SPONSORS THE INAUGURAL CONCERT — "EXOTICA" PRESENTED BY HONG KONG GRAND OPERA

The Company is sparing no efforts in advancing arts and culture development in Hong Kong. China Tonghai Private Wealth Management Limited ("Private Wealth Management"), a subsidiary of the Group, was the title sponsor of "Exotica", which made its debut at the Hong Kong Cultural Centre on 30 November 2021. By rendering full supports to the performance, the Group hopes to promote this distinctive art form to the community and enrich the lives of Hong Kong as an international metropolis. Mr. Kenneth LAM, Executive Director and Chief Executive Officer of the Group; Mr. Stacey WONG, Chief Operating and Risk Officer of the Company; Mr. and Mrs. Richard Winter, Senior Advisor of the Company and Ms. Denise CHEUNG, Managing Director of Private Wealth Management joined by business luminaries and media friends to enjoy this prestigious opera together. Seminar on "Investment Strategies of Year 2022" jointly held by Private Wealth Management, AIA Group and Amundi HK, as well as a cocktail reception was hosted ahead of the performance, in providing all guests with the latest market insights regarding investment strategies and wealth management.

4 December 2021

TONGHAI FINANCIAL WAS THE DIAMOND SPONSOR OF HKiNED "ANNUAL CONFERENCE" FOR TWO CONSECUTIVE YEARS

The Company was partnered with The Hong Kong Independent Non-Executive Director Association (HKiNED) two years in a row in being a Diamond Sponsor of its annual conference. Tonghai Financial reiterated its full support the program by carrying out a series of keynote speeches and panel discussions with regards to the development and prospects of the three areas in global and local markets. Based on the theme of "SPAC, ESG and Green Finance", Mr. Jim FONG Tak Jim, vice president of China Tonghai Securities has delivered a keynote speech on green equities, while Ms. Esme PAU, Head of Research of China Tonghai Securities has been one of the panelists to share her insights with the topic of "Key investment trends and opportunities in ESG", making the conference very lively and constructive.

Corporate Events and Affiliations

9 December 2021

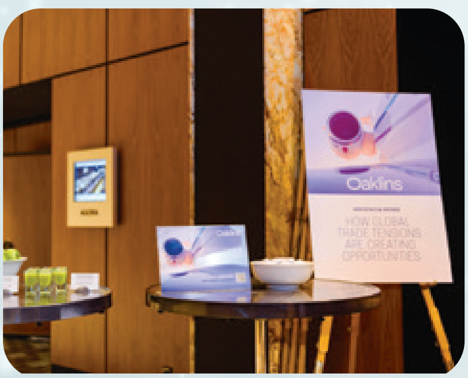
TONGHAI FINANCIAL WAS THE GOLD SPONSOR OF THE HONG KONG CORPORATE GOVERNANCE AND ESG EXCELLENCE AWARDS 2021 GALA DINNER, AND CHKLC'S 19TH ANNIVERSARY CELEBRATION

The Company was the Gold Sponsor of The Hong Kong Corporate Governance and ESG Excellence Awards 2021 gala dinner, and 19th Anniversary celebration of The Chamber of Hong Kong Listed Companies. Mr. Calvin CHIU, Deputy Chief Executive Officer of China Tonghai Securities and the management were invited to attend the dinner, which was held at Grand Hyatt Hong Kong.

Hundreds of industry elites converged on the event, strengthening financial ties and co-operation with others. It was with great delight in meeting and celebrating the winners of the 2021 Awards at this celebratory gala evening. They brought together a range of individuals with a view to enhancing all-round cooperation with others.

OUR GLOBAL M&A CAPABILITY — OAKLINS INTERNATIONAL INC. ("OAKLINS")

Oaklins is one of the world's largest and most experienced M&A advisors in the mid-market, with over 850 professionals globally and dedicated industry teams in over 45 countries worldwide. China Tonghai Capital Limited is the Hong Kong based member of Oaklins and has been acting as its exclusive Hong Kong member since 2005.



With firm roots in local soil and flexible collaboration on a global scale, Oaklins facilitates the delivery of expert support by over 850 professionals with extensive industry knowledge in 15 key industries and numerous niche sectors worldwide to clients undertaking acquisitions, mergers and disposals. Oaklins successfully closed 463 deals in 2021, in which 127 deals were cross-border deals.

Corporate Events and Affiliations

GLOBAL ALLIANCE PARTNERS (GAP)

GAP in Hong Kong — China Tonghai International Financial Limited (Tonghai Financial) was very active in raising funds for the China private equity sector in the field of technology and electric vehicles.

GAP in Japan — Capital Partners Securities expanded its asset management footprint while starting a real estate brokerage business focusing on institutional investment overseas targeting the US market as a priority.

GAP in Thailand — PI Securities (formerly Country Group Securities) had a record-breaking year with its involvement in the crypto market.

GAP in Korea — DAOL Group (formerly KTB Group) acquired a savings bank in Y2021 and substantially expanded their footprint in Korea. It is now a major player in the local market.

GAP in Australia — Petra Capital has been winning mandates and closing transactions every month. The year 2021 was their best year ever; and they kicked off their Y2022 with the launch of Arrow Asset Management.

GAP in Spain — GVC Gaesco Group expanded its role in independent wealth management by opening an office in Miami USA to tap into the Latin American wealth sector.

GAP in Switzerland — Seal Consulting has widened its reach as it formed its network of consultancy and family offices including in Dubai and Singapore.

GAP in the UAE — Quadrillion has been active with raising capitals for projects emanating from the Middle East and has introduced new GAP members from Bahrain and Saudi Arabia.

Mr. Kenneth Lam, Executive Director and Group CEO of Tonghai Financial, is shown during a Networking Cocktail event at the GAP Investment Conference held in Zimbabwe, Africa prior to the pandemic.

Ms. Coy Rillo, Director of Group Marketing and Communications of Global Alliance Partners, has been organizing and managing GAP's bi-annual Investment Conferences in different markets since 2008.

GAP in the USA — TerraNova Capital and Auerbach Grayson remain active; with the former drawing more business from SPACS while the latter announcing its expansion into capital markets.

As lockdowns and quarantines loomed, travel restrictions have made face-to-face meetings more difficult. Despite enhanced conference calls capability, it is not easy to syndicate, validate, and close deals unless you are closely connected with people on the ground and with whom you have a reciprocal high level of trust.

Our partner firms have deep roots in their respective market territories and have developed solid ties among each other.

Anchored in its people-to-people mindset, Global Alliance Partners is more than just any network group. It has evolved into a close-knit team of seasoned advisors and dealmakers covering many markets.

Our partnership has grown in depth, whereby every Partner is capable of boosting the scalability of another Partner and of GAP as a whole. While big is good, reputation and reliability are essential.

Global Alliance Partners, with member firms across Asia, Australia, Europe, North America, and the Middle East, has lived through many upheavals within the span of almost 15 years and still remains solidly anchored in the world of finance through its depth and worldwide coverage.

As we look back on GAP's Y2021 performance, we are confident that Global Alliance Partners will not only survive the difficulties associated with the world's COVID-19 pandemic, but will thrive again because of its resilience and strong membership.

By: **BERNARD POULIOT**

Mr. Bernard Pouliot, GAP Chairman and Executive Director, is shown introducing the network group's international delegation during the GAP Investment Conference held in Beijing, China prior to the pandemic. With him are Co-Founders Mr. Kenneth Lam and Mr. Toyoharu Tsutsui, Chairman of Capital Partners Securities in Japan.

Mr. Army Yan, Chief Investment Officer; Mr. Kenneth Lam, Group CEO; and Mr. Bernard Pouliot, Senior Advisor to the Board; represent Tonghai Financial at Global Alliance Partners.

Mr. Bernard Pouliot is the Chairman and Executive Director of Global Alliance Partners. As Senior Advisor to the Board of Tonghai Financial, his focus is on cross-border investments and international deal syndications.

Mr. Pouliot has over 30 years of entrepreneurial experience. He has an extensive record of accomplishments in investments, finance, and corporate development. His business interests span across Asia Pacific, North America, Europe, and the Middle East; with directorships in a number of both private-owned and public-listed companies.

In 1998, he became the Chairman and CEO of China Tonghai International Financial Limited (formerly the Quam Group), which operates as an integrated financial services group.

Profile of Directors, Senior Management, Senior Advisor and Key Executives

EXECUTIVE DIRECTORS

Mr. HAN Xiaosheng (韓曉生), aged 65, is the Chairman and executive Director with effect from 3 February 2017. He is the chairman of nomination committee of the Company. He is also currently an executive director, the chairman of the board and chief executive officer of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). Mr. HAN was the executive director and chief executive officer and the chairman of supervisory committee of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046). He severed as a chairman of supervisory committee of China Oceanwide Holdings Group Co., Ltd.* (中国泛海控股集團有限公司), which is substantial shareholder of the Company. He obtained a master's degree in economics from Renmin University of China in July 1996 and a Ph.D in Management from Huazhong University of Science & Technology in June 2018. Mr. HAN is a senior accountant in the People's Republic of China. He is also directors of Oceanwide Group Co., Ltd., China Oceanwide Group Limited and Oceanwide Holdings International Financial Development Co., Ltd., which are substantial shareholders of the Company.

Mr. FANG Zhou (方舟), aged 51, is the executive Director of the Company with effect from 16 October 2020. He is also Deputy Chairman and chairman of executive committee of the Company since 23 November 2020. He is a member of remuneration committee of the Company. Mr. FANG is currently the vice chairman and president of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and the director of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). He is also the chairman of the supervisory committee of China Minsheng Trust Co., Ltd.* (中國民生信託有限公司) from August 2020. Mr. FANG worked in the business department of the Hubei branch of China Construction Bank from 1993 to 1998. He also worked in China Minsheng Banking Corp., Ltd. ("China Minsheng Bank"), whose shares are listed on the main board of the Stock Exchange (Stock Code: 1988) and the Shanghai Stock Exchange (Stock Code: 600016) and held senior positions in various departments of head office and branch offices of China Minsheng Bank from April 1998 to April 2020. Mr. FANG was the chief director of the Office of the Board of China Minsheng Bank from April 2015 and the board secretary of China Minsheng Bank from February 2017 to April 2018. He obtained a doctoral degree in economics from Wuhan University in 2008 and is an economist.

Mr. LIU Hongwei (劉洪偉), aged 55, is the executive Director with effect from 3 February 2017. He is a member of remuneration committee of the Company. He is also an executive director and deputy chairman of the board of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), a supervisor of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), a non-executive director of CuDeco Limited, whose shares were previously listed on the Australian Securities Exchange (Stock Code: CDU, delisted in February 2020) and the director and vice-president of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). He served as a director of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416). He obtained a bachelor's degree in engineering from Dalian Ocean University (formerly known as Dalian Fisheries College) in July 1989 and a master's degree in management from Massey University in New Zealand in April 2006. He is also a director and president of China Oceanwide Group Limited, which is substantial shareholder of the Company.

** For identification purposes only*

Mr. Kenneth LAM Kin Hing (林建興), aged 68, joined the Company in 2001, and is currently the executive Director of the Company and Chief Executive Officer of the Group. He is a member of nomination committee of the Company. Since 1994, he has been the Managing Director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. LAM is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (the "SFO") for China Tonghai Securities Limited and a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited. Mr. LAM had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. LAM has more than 30 years of experience in corporate finance and banking. He was an independent non-executive director of Hon Kwok Land Investment Company, Limited, a company listed in Hong Kong (March 2004 to August 2015) and a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to August 2013). He is the Vice Chairman of the General Committee of The Chamber of Hong Kong Listed Companies since June 2021 and the Vice Chairman and past Chairman (2009 to 2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario (now known as Western University) with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University.

NON-EXECUTIVE DIRECTORS

Mr. LIU Bing (劉冰), aged 64, is the non-executive Director with effect from 3 February 2017. He is currently the president of Zhihai Capital Investment & Management Co* (智海資本投資管理有限公司) and an executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). He was the chairman of the supervisory committee of Shenzhen Fanhai Sanjiang Electronics Co., Ltd.* (深圳市泛海電子股份有限公司) (now known as Shenzhen HTI Sanjiang Electronics Co., Ltd. 深圳市高新投三江電子股份有限公司), the global president and director of International Data Group, Inc., the vice chairman of the supervisory committee (previously was the executive director and executive vice president) of China Oceanwide Holdings Group Co., Ltd.* (中国泛海控股集團有限公司) which is substantial shareholder of the Company, the vice chairman of the board of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416), a director of Oceanwide Equity Investment Management Co., Ltd. (泛海股權投資管理有限公司), a director of Minsheng Securities Co., Ltd.* (民生證券股份有限公司), the chairman of the supervisory committee of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and the supervisor of China Minsheng Trust Co., Ltd. He obtained a master's degree in business administration from Sacred Heart University in the United States in August 1989. He is also supervisor of Oceanwide Group Co., Ltd., which is substantial shareholder of the Company.

** For identification purposes only*

Profile of Directors, Senior Management, Senior Advisor and Key Executives

Mr. ZHAO Yingwei (趙英偉), aged 51, is the non-executive Director with effect from 28 March 2018. He is a member of the audit committee of the Company. He is currently a non-executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), the vice-chairman of supervisory committee (previously the executive director) of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and the chairman of the supervisory committee of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416). He is a senior accountant in China. Mr. ZHAO obtained a Bachelor's degree in economics from Renmin University of China in January 1997 and a Master's degree in engineering from Beihang University in January 2013. He is also director, executive vice-president and chief financial officer of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and director of China Oceanwide Group Limited, which are substantial shareholders of the Company.

Mr. ZHAO Xiaoxia (趙曉夏), aged 58, is the non-executive Director with effect from 3 February 2017. He is currently the director and vice-president of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), which is substantial shareholder of the Company. He served as a director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), the sub-manager of international business division and the representative of London liaison office of People's Insurance Company of China* (中國人民保險總公司), director and the general manager of Huatai Insurance Agency & Consultant Service Ltd.* (華泰保險代理和諮詢服務公司), director and the executive vice president of AXA-Minmetals Assurance Co., Ltd.* (金盛人壽保險有限公司), senior vice president of New York Life Insurance (International)* (美國紐約人壽(國際)保險公司), president and the chief executive officer of Haier New York Life Insurance Co., Ltd.* (海爾紐約人壽保險有限公司), senior vice president of Asia Capital Holding Group Limited* (亞洲資本控股集團公司) and executive vice president of North Asia Region and the head of China of ACR Reinsurance Group* (ACR再保險集團). He obtained a bachelor's degree in law from Peking University in 1985.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Roy LO Wa Kei (盧華基), aged 50, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of audit committee of the Company and a member of nomination committee of the Company. He is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including China Oceanwide Holdings Limited (Stock Code: 715), Wan Kei Group Holdings Limited (Stock Code: 1718) and G-Resources Group Limited (Stock Code: 1051). He also serves as the managing partner of SHINEWING (HK) CPA Limited, the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議上海市浦東新區委員會), the president of the Hong Kong Independent Non-Executive Director Association and the Divisional President 2019 — Greater China of CPA Australia. He served as an independent non-executive director of North Mining Shares Company Limited (Stock Code: 433) from September 2004 to November 2015, an independent non-executive director of Sheen Tai Holdings Group Company Limited (Stock Code: 1335) from June 2012 to May 2020 and an independent non-executive director of Sun Hing Vision Group Holdings Limited (Stock Code: 125) from May 1999 to March 2021, an independent non-executive director of China Zhongwang Holdings Limited (Stock Code: 1333) from October 2008 to October 2021 and an independent non-executive director of Xinming China Holdings Limited (Stock Code: 2699) from June 2015 to November 2021. He obtained a bachelor's degree in business administration from University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and a fellow of the Institute of Chartered Accountants in England and Wales.

Mr. KONG Aiguo (孔愛國), aged 54, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of remuneration committee of the Company, a member of audit committee and nomination committee of the Company. He is currently an independent director of Shanghai Hi-Road Food Technology Co., Ltd.* (上海海融食品科技股份有公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 300915) and Geron Co., Ltd.* (金輪藍海股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 002722). He served as an independent non-executive director of Harmonicare Medical Holdings Ltd., whose shares were listed on the Stock Exchange (Stock Code: 1509, delisted in March 2021) (March 2015 to August 2020), a director of Shanghai Fudan Forward Science and Technology Co., Ltd.* (上海復旦復華科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600624) (December 2017 to October 2020), an independent director of Tianjin Xinmao Science and Technology Co., Ltd.* (天津鑫茂科技股份有限公司) (now known as Tianjin Futong Information Science & Technology Co., Ltd.* (天津富通信息科技股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000836)) (May 2015 to August 2018), Simei Media Co., Ltd.* (思美傳媒股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 002712) (December 2016 to November 2019) and an independent director of Oceanwide Holdings Co., Ltd.*, (泛海控股股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) (June 2014 to May 2020). He is a professor and Ph.D supervisor in School of Management of Fudan University. From July 1989 to August 1992, he was an assistant engineer of Wuxi 721 Factory* (無錫721廠). He obtained a doctor's degree from Fudan University in December 1996.

Mr. LIU Jipeng (劉紀鵬), aged 65, is the independent non-executive Director with effect from 18 December 2017. He is a member of the audit committee, remuneration committee and nomination committee of the Company. He is also currently an independent non-executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), China Minsheng Banking Corp., Ltd.* (中國民生銀行股份有限公司), whose shares are dually listed on the Stock Exchange (Stock Code: 1988) and the Shanghai Stock Exchange (Stock Code: 600016) and an independent director of Chongqing Changan Automobile Co., Ltd.* (重慶長安汽車股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000625) and an independent director of CECEP Solar Energy Co., Ltd.* (中節能太陽能股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 000591). He also previously served as directors of various public companies including independent director of AVIC Capital Co., Ltd.* (中航資本控股股份有限公司) (now known as AVIC Industry Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600705) (from May 2011 to May 2017), an independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd.* (中新蘇州工業園區開發集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601512) (from December 2019 to June 2020) and an independent director of Zhongjin Gold Corporation, Ltd.* (中金黃金股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600489) (from May 2014 to March 2021), an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd., whose shares were listed on the Stock Exchange (Stock Code: 3699, delisted on 20 September 2016) (from 2012 to 2016), Wanda Hotel Development Company Limited, whose shares are listed on the Stock Exchange (Stock Code: 169) (from July 2013 to March 2019), an independent director of Valiant Corporation Ltd.* (中節能萬潤股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002643) (from May 2020 to November 2021) and an independent director of CECEP Guozhen Environmental Protection Technology Co., Ltd.* (中節能國禎環保科技股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 300388) (December 2020 to December 2021) He is a senior economist and certified public accountant in China. Mr. LIU obtained a Bachelor's degree in economics from Capital University of Economics and Business (formerly known as Beijing School of Economics) in July 1983 and a Master's degree in economics from Graduate School of Chinese Academy of Social Sciences in July 1986.

** For identification purposes only*

Profile of Directors, Senior Management, Senior Advisor and Key Executives

Mr. HE Xuehui (賀學會), aged 50, is the independent non-executive Director with effect from 3 February 2017. He is a member of the audit committee, remuneration committee and nomination committee of the Company. He is currently an EMBA professor in Shanghai National Accounting Institute* (上海國家會計學院), a senior partner of Shanghai Sigma Investment Consulting Corporation, an executive director of Shanghai Finance Institute* (上海市金融學會) and a member of Expert Committee on Working Mechanism of Prudential Qualification Appraisal of Risks Relating to Separate Accounting Business in Shanghai Pilot Free Trade Zone* (上海自貿試驗區分賬核算業務風險審慎合格評估工作機制專家委員會). From December 2012 to September 2016, he was Dean of School of Finance of Shanghai University of International Business and Economics* (上海對外經貿大學). From May 2009 to August 2012, he was a professor in Shanghai National Accounting Institute* (上海國家會計學院). From September 2003 to April 2009, he was Deputy Dean of School of Finance of Hunan University* (湖南大學金融學院). From May 2001 to January 2002, he served as a senior researcher in Shanghai Jin Xin Financial Engineering Research Institute* (上海金新金融工程研究院). He obtained a master's degree in economics from Hunan University (then known as "Hunan College of Finance and Economics*") (湖南財經學院(現湖南大學)) in September 2009. He obtained a Ph.D in economics from Fudan University in December 2003.

Mr. HUANG Yajun (黃亞鈞), aged 69, is the independent non-executive Director with effect from 3 February 2017. He is a member of audit committee and remuneration committee of the Company. He is currently a professor of School of Economics and a director of Securities Research Institute of Fudan University. He is also an independent director of Shanghai Jin Jiang Online Network Service Co., Ltd.* (上海錦江在線網絡服務股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600650) and an independent director of YTO Express Group Co., Ltd.* (圓通速遞股份有限公司) whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600233). He previously served as an independent director of Keysino Separation Technology Co., Ltd.* (上海凱鑫分離技術股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300899) (February 2017 to October 2021), an independent director of China Information Development Inc., Ltd. Shanghai* (上海中信信息發展股份有限公司) (now known as Trust Alliance Information Development Inc. Ltd. Shanghai* (上海信聯信息發展股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 300469) (2012 to November 2018) and an independent director of Shanghai Zi Jiang Enterprise Group Co., Ltd.* (上海紫江企業集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600210) (from June 2014 to June 2020). He served as Deputy Dean and Dean of School of Economics of Fudan University from July 1992 to December 2000 and Deputy Dean of University of Macau from December 2000 to July 2006. He obtained a master's degree in economy from Fudan University in 1985 and a doctor's degree in economy from West Virginia University in 1992.

** For identification purposes only*

SENIOR MANAGEMENT

Mr. WONG Stacey Martin, aged 54, joined the Group in November 2017. He is the Chief Operating and Risk Officer of the Company, Chief Executive Officer of the securities and future business of the Group and the Co-Chief Executive Officer of corporate finance business of the Group. Mr. WONG has about 30 years of experience in the investment banking industry and led IPOs and placings of Hong Kong and Chinese Companies and has participated in mergers and acquisitions and financial advisory transactions of Blue-chip, Red-chip, private enterprise and H-share companies. He is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for China Tonghai Securities Limited and a responsible officer for Types 1 and 6 regulated activities under the SFO for China Tonghai Capital Limited. Prior to joining the Company, Mr. WONG was the Chief Operating Officer and a director of CMBC International Holdings Limited since February 2013. Mr. WONG was the Head of Investment Banking of Piper Jaffray Asia Limited (formerly named as Goldbond Group Holdings Limited (2003–2007) which was merged by Piper Jaffray Companies (NYSE: PJC) in July 2007) and also headed Bear Stearns Asia Limited's corporate finance team, worked as the Head of BNP Paribas Peregrine Capital Limited's infrastructure and public utility corporate finance team, and spent ten years with Peregrine Capital Limited. Mr. WONG holds a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge, the United Kingdom.

Mr. Chris WU Kwok Choi, aged 48, joined the Company in June 2017 and is the Chief Financial Officer of the Company. Mr. WU has more than 20 years of finance and accounting experience in the Greater China region. Mr. WU graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration. Mr. WU is a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Institute of Certified Public Accountants.

Mr. YAN Chi Kwan, aged 46, joined the Group in May 2018 and is the Chief Investment Officer of the Company. He has over 20 years of investment experience in the financial markets of the Asia-Pacific region. Mr. YAN is a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited and a responsible officer for Type 1 regulated activity under the SFO for China Tonghai Securities Limited. Prior to joining the Group, he was the Chief Investment Officer of CMBC International Holdings Limited, responsible for investment, financing and asset management. Mr. YAN has also set his footprints in other financial institutions. He was the Head of Product and Business Development in Shenwan Hongyuan Asset Management (Asia) Limited (formerly known as Shenyin Wanguo Asset Management (Asia) Limited) and Deputy Managing Director in Shenwan Hongyuan Securities (H.K.) Limited (formerly known as Shenyin Wanguo Securities (H.K.) Limited). Mr. YAN was also the managing director in a number of well-established asset management companies where he participated in investment management, research, business and product development. He holds a Master degree in Economics and Bachelor degree in Finance from The University of Hong Kong. He is a CFA® charterholder. On personal front, Mr. YAN was a prominent speaker or lecturer in several university institutions. He conducted lectures at Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong, and National Kaohsiung University of Applied Sciences (now known as National Kaohsiung University of Science and Technology).

Profile of Directors, Senior Management, Senior Advisor and Key Executives

SENIOR ADVISOR

Mr. Bernard POULIOT, aged 70, has been the Senior Advisor of the Company since October 2017. He joined the Company in 2000. He was the Chairman of the Company until February 2017 and became Deputy Chairman of the Company (from February 2017 to September 2017). He was the non-executive director of the Company (from October 2017 to June 2020). Mr. POULIOT has more than 40 years of experience in investment, finance and corporate development. Mr. POULIOT was a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to May 2013) and was appointed as the vice-chairman in February 2008.

Mr. Richard David WINTER, aged 69, has been the Senior Advisor of the Company since September 2017. He joined the Company in 2002 and was previously Deputy Chairman of the Company and Chief Executive Officer of corporate finance business of the Group. Mr. Winter has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. He was managing director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Asia Limited. He received an Honours Degree in Commerce from Edinburgh University. Mr. WINTER is a member of the Takeovers and Mergers Panel and Takeovers Appeal Committee of the Securities and Futures Commission and a member of Listing Review Committee of the Hong Kong Exchanges and Clearing Limited. He is a senior fellow of Hong Kong Securities and Investment Institute, a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Hong Kong Institute of Directors, a member of the Hong Kong Institute of Certified Public Accountants, an executive committee member of The Outward Bound Trust of Hong Kong Limited and a director of Outward Bound International.

KEY EXECUTIVES

Mr. Benny CHUNG Koon Chung, aged 48, joined the Group in May 2017 and is the Co-Chief Executive Officer of corporate finance business of the Group. Mr. CHUNG has over 25 years of investment banking experience and had worked at the investment banking division of various multinational banks. He is a responsible officer for Types 1 and 6 regulated activities under the SFO for China Tonghai Capital Limited. Prior to joining the investment banking industry, Mr. CHUNG worked as an auditor at one of the major international accounting firms for over two years.

Mr. Calvin CHIU Chun Kit, aged 51, is the Deputy Chief Executive Officer of the securities and futures businesses of the Group. He is a responsible officer for Types 1, 2, 4 and 9 regulated activities under the SFO for China Tonghai Securities Limited. He joined the Group in 2002.

Mr. HAU Man Sing, aged 52, joined the Group in 2013 and is Head of Information Technology. Mr. HAU is responsible for the overall IT administration and services to the Group. Mr. HAU graduated from the University of Kent in England, with a Computer Science degree and has extensive experience across many IT fields.

Ms. Hortense CHEUNG Ho Sze, aged 47, is the Company Secretary of the Company. She joined the Group in 2007. Ms. CHEUNG has extensive experience in handling listed company secretarial matters and is an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute.

Mr. HUI John, aged 48, joined the Group in December 2018, is the Head of Institutional Sales of China Tonghai Securities Limited, responsible for overseeing the Institutional Sales function. Mr. HUI has more than 20 years of experience in securities brokerage business, previously held senior positions in number of leading global Investment banks and Chinese financial institutions. He is responsible officer for Types 1, 2 and 4 under the SFO for China Tonghai Securities Limited. Prior to joining the Group, Mr. HUI was the Managing Director of Institutional Sales at China Galaxy International Financial Holdings Limited, Head of Institutional Sales in CMBC International Holdings Limited and RHB Securities Hong Kong Limited. Mr. HUI received a Honor Bachelor of Commerce and Finance from University of Toronto.

Mr. Jackie LAM Chi Sun, aged 44, joined the Group in August 2019 as the Head of Internal Audit. He has over 15 years of audit experience in the financial services industry. Mr. LAM holds a Master of Investment Management from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Keith CHAN Chin Wang, aged 46, joined the Group in July 2018 and is the Head of Legal of the Group. Mr. CHAN was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in 2003. Mr. CHAN has been a practising solicitor in Hong Kong for over 10 years specialised in corporate finance, merger and acquisition and regulatory compliance. Prior to joining the Group, Mr. CHAN was also appointed as the Company Secretary for a number of companies whose shares are listed on the Main Board and GEM of the Stock Exchange.

Mr. TSANG Chung Him, aged 51, joined the Group in 2007 as the Head of Compliance. Mr. TSANG has extensive experience of compliance in the financial industry. Mr. TSANG graduated from The University of Hong Kong with a Bachelor of Social Sciences degree. Mr. TSANG is a member of The Hong Kong Institute of Certified Public Accountants.

Ms. TSUI Ka Chi, aged 52, is the Group Human Resources Manager of the Group. She is responsible for the overall human resources management and administration of the Group. She joined the Group in 2006. Ms. TSUI has extensive experience in human resources and administration and is a professional member of the Hong Kong Institute of Human Resource Management.

Ms. YAN Ching Man, aged 36, is the Managing Director of the securities and futures businesses of the Group. She is responsible for overseeing operations of the securities and futures businesses and is a responsible officer for Types 1, 2, 4 and 9 under the SFO for China Tonghai Securities Limited. Ms. YAN joined the Group in 2008 and rejoined again in 2020. She has extensive experience in the brokerage industry.

Directors' Report

The Board of China Tonghai International Financial Limited presents the annual report together with the audited financial statements of the Group for the year ended 31 December 2021 (the "Year").

PRINCIPAL ACTIVITIES

During the Year, the principal activity of the Company is investment holding and the principal activities of the subsidiaries are as follows:

a) corporate finance advisory and general advisory services;

b) fund management, discretionary portfolio management and portfolio management advisory services;

c) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services;

d) money lending services;

e) financial media services; and

f) investing and trading of various investment products.

Particulars of the principal subsidiaries of the Company as at 31 December 2021 are set out in note 49 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing, the environmental policies and performance and the relationship with key stakeholders of the Group are set out in the section of "Chief Executive Officer's Review", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" on pages 8 to 9, pages 10 to 15 and pages 16 to 35 respectively of this annual report.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segment for the Year is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the financial position of the Company and the Group as at 31 December 2021 are set out in the financial statements on pages 94 to 206.

No interim dividend was paid during the Year (2020: Nil).

The Board has resolved not to recommend the payment of a final dividend for the Year (2020: HK0.5 cent per share).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past financial years, which was extracted from the audited financial statements and reclassified as appropriate, is set out on pages 207 and 208 of this annual report. This summary does not form part of the financial statements.

PROPERTY AND EQUIPMENT

Details of movements of the property and equipment of the Company and the Group during the Year are set out in note 30 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 37 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 33 to the financial statements.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares ("Awarded Shares") to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The Awarded Shares will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms. The Share Award Scheme had been renewed for five years from 19 August 2020 to 18 August 2025 (the "Renewal"). Further details of the Share Award Scheme and the Renewal were set out in the announcement of Company dated 19 August 2010 and dated 18 August 2020 respectively.

As at 31 December 2021, a total of 51,172,002 Awarded Shares are now held by the trustee under the Restricted Shares Award Scheme Trust which is available for allocation. No Awarded Share has been granted as at 31 December 2021. The Share Award Scheme should be retained until expiry of trust period or until informed by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Company and the Group during the Year are set out in the consolidated statement of changes in equity, and in note 48 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for cash distribution and/or distribution in specie to Shareholders, comprising the aggregate of contributed surplus and retained profits of the Company, amounted to HK$3,066.1 million. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to Shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than its liabilities.

CHARITABLE DONATIONS

During the Year, the total charitable donations made by the Group is Nil (2020: HK$210,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, services provided to the Group's five largest customers accounted for 45% of the total turnover for the Year and services provided to the largest customer included therein amounted to 19%. Among the five largest customers (including the largest customer), 3 of them was subsidiaries of the holding companies of Oceanwide Holdings IF (the controlling shareholder).

Services provided from the Group's five largest suppliers accounted for 18% of the total cost of services provided for the Year and services provided from the largest supplier included therein amounted to 5%.

Save as disclosed in the consolidated financial statements and the report therein, none of the Directors or any of their associates or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had, at any time during the Year, a beneficial interest in any of the five largest customers and suppliers of the Group.

SHARE OPTION SCHEME

The Company adopted an employee share option scheme on 23 September 2020 (the "Share Option Scheme"). A summary of the principal terms of the Share Option Scheme is given below:

I)	Purpose	:	The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants for their contribution or would-be contribution to the Group to obtain an equity interest in the Company and to attract potential candidates to serve the Group for the benefit of the development of the Group.
II)	Participants	:	Eligible participants of the Share Option Scheme include all directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), shareholders of the Company and any member of the Group, who, in the absolute opinion of the Board, have contributed or will contribute to the Company or the Group.
III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at 14 April 2022	:	The number of shares available for issue under the Share Option Scheme was 619,704,922 shares representing 10% of the issued share capital as at 14 April 2022.
IV)	Maximum entitlement of each participant	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each participant in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares in issue unless it is approved by Shareholders in general meeting of the Company, at which such participant and his close associates (or his associates if the participant is a connected person) shall abstain from voting. Any share options propose to grant to a substantial Shareholder or an independent non-executive Director or to any of their respective associates, in the 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, are subject to approval by Shareholders in general meeting of the Company.

V) The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not more than 10 years from the relevant date of grant of the options.
VI) The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The Share Option Scheme does not contain any such minimum period.
VII) The amount payable upon acceptance of the option	:	HK$10 is payable by each eligible participant as consideration for the grant of an option on acceptance of options within 21 days from the date of offer of the options.
VIII) The basis of determining the subscription price	:	The subscription price must be at least the higher of: (i) the closing price of share as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.
IX) The remaining life of the scheme	:	The Share Option Scheme shall be valid and effective until the close of business of the Company on the date which falls 10 years after the adoption date.

No share option has been granted since the adoption of the Share Option Scheme. Therefore, there was no share option outstanding as at 31 December 2021 and no share option lapsed or was exercised or cancelled during the Year.

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report are:

Executive Directors

Mr. HAN Xiaosheng
Mr. FANG Zhou
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing
Mr. ZHANG Xifang *(Resigned on 3 September 2021)*

Non-executive Directors

Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia

Independent Non-executive Directors

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

In accordance with Bye-laws 87 of the Company and pursuant to code provision B.2.2 of Appendix 14 of the Listing Rules, Mr. LIU Hongwei, Mr. ZHAO Xiaoxia, Mr. KONG Aiguo and Mr. HE Xuehui will retire by rotation at the forthcoming annual general meeting. They are being eligible and will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive Director an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in rule 3.13 of the Listing Rules.

DIRECTORS' REMUNERATION

Details of the emoluments of the Directors for the Year are set out in note 15 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the Group, in general, is determined with reference to the financial position and operating results of the Company and the prevailing market condition and trends. On this basis, the emolument of the Directors is determined with reference to their individual performances, involvement in the Group's affairs, the Company's performance and profitability. For the executive Directors, their remuneration is reviewed by the Remuneration Committee of the Company. As for the independent non-executive Directors, remuneration is determined by the Board, upon the recommendation from the Remuneration Committee of the Company. A resolution will be proposed at the forthcoming annual general meeting to obtain Shareholders' authorisation for the Board to fix Directors' remuneration.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are presented on pages 46 to 51 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. HAN Xiaosheng and Mr. LIU Hongwei has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 3 February 2020, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his service agreement.

Mr. FANG Zhou has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 16 October 2020, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly directors' fee of HK$246,000.

Mr. Kenneth LAM Kin Hing has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 1 October 2020, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly salary of HK$433,334.

Each of Mr. LIU Bing and Mr. ZHAO Xiaoxia has entered into a letter of appointment with the Company to act as non-executive Director for a term of one year commencing 3 February 2022, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his letter of appointment.

Mr. ZHAO Yingwei has entered into a letter of appointment with the Company to act as non-executive Director for a term of one year commencing 28 March 2022, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his letter of appointment.

Each of Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui and Mr. HUANG Yajun has entered into a letter of appointment with the Company to act as independent non-executive Director for a term of one year commencing 3 February 2022, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them is entitled to receive a fixed annual director's fee of HK$250,000 and will not receive any variable remuneration from the Group.

Mr. LIU Jipeng has entered into a letter of appointment with the Company to act as independent non-executive Director for a term of one year commencing 18 December 2021, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a fixed annual director's fee of HK$250,000 and will not receive any variable remuneration from the Group.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Continuing Connected Transaction" in this director's report and in note 42 to the financial statements, no Director had a material interest in any transactions, arrangements or contract of significance to the business of the Group subsisted at the end of the Year or at any time during the Year to which the Company or any of its subsidiaries was a party.

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.

DIRECTORS' INTERESTS

As at 31 December 2021, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code under Appendix 10 of the Listing Rules were as follows:

(i) Long Position in the Shares

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding in the Shares in issue (Note 1)
Mr. Kenneth LAM Kin Hing	Beneficial owner	113,072,833	1.82%

(ii) Long positions in the shares of associated corporations of the Company

(a) Oceanwide Holdings

Name of Director	Capacity	Number of shares in Oceanwide Holdings	Approximate percentage of shareholding in Oceanwide Holdings (Note 2)
Mr. HAN Xiaosheng	Beneficial owner	3,500,000	0.06%
Mr. LIU Hongwei	Beneficial owner	30,000	0.0005%
Mr. LIU Bing	Beneficial owner	90,000	0.001%
Mr. ZHAO Yingwei	Beneficial owner	200,000	0.003%
Mr. ZHAO Xiaoxia	Beneficial owner	183,500	0.003%

(b) *China Oceanwide*

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate percentage of shareholding in China Oceanwide (Note 2)
Mr. LIU Jipeng	Beneficial owner	9,212,000	0.05%

III) Interest in the debentures of an associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of debenture
Mr. Kenneth LAM Kin Hing	Oceanwide Holdings International Development III Co., Ltd.	Personal interest	US$15,200,000 (Note 3)

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at 31 December 2021.

2. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at 31 December 2021.

3. Mr. Kenneth LAM Kin Hing has an interest in US$15,200,000 of the US$146,045,000 14.5% private notes due 2024 issued by Oceanwide Holdings International Development III Co., Ltd.

Save as disclosed above, as at 31 December 2021, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS

As at 31 December 2021, so far as were known to the Directors, the following persons (other than the Directors) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

Long Position in the Shares

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue (Note 12)
Mr. LU Zhiqiang ("Mr. LU")	Interest of controlled corporations	4,493,764,732 (Note 1)	72.51%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	4,493,764,732 (Note 2)	72.51%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 3)	72.51%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 4)	72.51%
Oceanwide Holdings	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
China Oceanwide Group Limited	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
Oceanwide Holdings IF	Beneficial owner	4,493,764,732 (Note 5)	72.51%
Haitong Securities Co., Ltd.	Interest of controlled corporations	4,100,000,000 (Note 6)	66.16%
Haitong International Holdings Limited	Interest of controlled corporations	4,100,000,000 (Note 7)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporations	4,100,000,000 (Note 8)	66.16%
Haitong International Investment Solutions Limited (now known as "Spring Progress Investment Solutions Limited")	Security interest in Shares	4,100,000,000 (Note 9)	66.16%
Mr. TSUI Chi Chiu	Joint and several receivers	4,098,510,000 (Note 10)	66.13%
Ms. So Kit Yee Anita	Joint and several receivers	4,098,510,000 (Note 10)	66.13%

Notes:

1. Mr. LU held more than one third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. LU is deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股有限公司) is interested.

2. Tohigh Holdings Co., Ltd.* (通海控股有限公司) held the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.* (泛海集團有限公司).

3. Oceanwide Group Co., Ltd.* (泛海集團有限公司) held 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).

4. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly and indirectly held 65.22% interest in the issued share capital of Oceanwide Holdings. By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings.

5. Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings. The Company was informed by Oceanwide Holdings IF that, as at 31 December 2021, a total of 1,490,000 shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,495,254,732 to 4,493,764,732. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,493,764,732 Shares.

6. Haitong Securities Co., Ltd held 100% interest in the issued share capital of Haitong International Holdings Limited. By virtue of the SFO, Haitong Securities Co., Ltd is deemed to be interested in all the Shares held by Haitong International Holdings Limited.

7. Haitong International Holdings Limited indirectly held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Holdings Limited is deemed to be interested in all the Shares held by Haitong International Securities Group Limited.

8. Haitong International Investment Solutions Limited (now known as "Spring Progress Investment Solutions Limited") is an indirect subsidiaries of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to be interested in all the Shares held by Haitong International Investment Solutions Limited.

9. According to the announcement of Oceanwide Holdings dated 5 December 2018, Oceanwide Holdings IF issued to Haitong International Investment Solutions Limited the short term notes in the principal amount up to HK$1,100,000,000 pursuant to which Oceanwide Holdings IF has pledged 4,100,000,000 Shares (representing 66.16% of the issued share capital of the Company as at 31 December 2021) to Haitong International Investment Solutions Limited.

10. On 20 October 2021, Mr. TSUI Chi Chiu and Ms. SO Kit Yee Anita were appointed as joint and several receivers over 4,098,510,000 Shares held by Oceanwide Holdings IF pursuant to the security deed dated 3 December 2018 entered into between Oceanwide Holdings IF as chargor and Spring Progress Investment Solutions Limited (previously known as "Haitong International Investment Solutions Limited") as chargee (the "Appointer") relating to a subscription agreement (as amended and extended thereafter from time to time) entered into between the Appointer as the noteholder and Oceanwide Holdings IF as issuer dated 3 December 2018 for the subscription of the notes issued by Oceanwide Holdings IF and the note instrument executed by Oceanwide Holdings IF dated 4 December 2018. Details were set out in the announcement of the Company dated 27 October 2021.

11. The following entities, namely Tise' Media Fund LP and China Alliance Properties Limited (and its associates), disclosed to the Company that they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015 pursuant to the subscription agreement entered among the Company, CMBC International Holdings Limited ("CMBCI"), and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tise' Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together the "Co-Investors") on 28 August 2015 which CMBCI and the Co-Investors had conditionally agreed to subscribe for an aggregate of 23,054,875,391 shares of the Company at the subscription price of HK$0.565 per Subscription Share (the "First Subscription Agreement").

    As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement ceased to be effective as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at 31 December 2021, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

12. The approximate percentage shown was the number of Shares the relevant company/person was interested in expressed as a percentage of the total number of issued Shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2021, none of the Directors or their respective associates was interested in any business which was considered to compete or was likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Group during the Year are included in the transactions and balance set out in note 42 to the financial statements.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions set out in note 42 to the financial statements and have confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Certain related party transactions as disclosed in note 42 and the transaction as disclosed in note 40 (in respect of loan to directors) to the financial statements were "continuing connected transaction" or fell within de minimis continuing connected transaction which exempted from reporting, announcement and independent shareholders' approval under the Listing Rules. The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

KPMG, the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued an unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULE 13.15 OF THE LISTING RULES

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)

The following term loans were extended by China Tonghai Finance Limited ("China Tonghai Finance", an indirect wholly owned subsidiary of the Company) to China Oceanwide:

Items	Transactions	Principal amounts (Amortised cost)	Net Carrying amounts (Note 1)	Principal amounts (Fair value)	Net Carrying amounts (Note 2)
1	on 31 March 2021, China Tonghai Finance extended a term loan in an amount of HK$3 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$3 million	HK$1 million (Note 1a)	—	—
2	on 31 March 2021, China Tonghai Finance extended a term loan in an amount of HK$5 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$5 million	HK$2 million (Note 1a)	—	—
3	on 31 March 2021, China Tonghai Finance extended a term loan in an amount of HK$8 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$8 million	HK$3 million (Note 1a)		
4	on 31 March 2021, China Tonghai Finance extended a term loan of HK$28 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$28 million	HK$9 million (Note 1a)		
5	on 21 December 2020, China Tonghai Finance extended a term loan in the amount of HK$280 million with an interest rate of 12% per annum and with a maturity date of 31 December 2021.	HK$280 million	HK$97 million (Note 1a)		
6	on 31 December 2020, China Tonghai Finance extended a term loan of HK$156 million with an interest rate of 12% per annum and with a maturity date of 31 December 2021.	HK$156 million	HK$54 million (Note 1a)		

The following term loans and margin facility were provided or extended to China Oceanwide International Investment Company Limited ("COII") or Minyun Limited ("Minyun"), indirect subsidiaries of Tohigh Holdings Co., Ltd.* (通海控股有限公司):

Items	Transactions	Principal amounts (Amortised cost)	Net Carrying amounts (Note 1)	Principal amounts (Fair value)	Net Carrying amounts (Note 2)
1	on 3 December 2019, China Tonghai Finance provided a term loan of HK$64.5 million to Minyun with an interest rate of 7.875% per annum and with a maturity date of 31 January 2022.	HK$64.5 million	HK$21 million (Note 1a)	—	—
2	an outstanding margin facility of HK$5 million provided by China Tonghai Securities Limited ("China Tonghai Securities", an indirect wholly-owned subsidiary of the Company) to Minyun pursuant to the terms of facility agreement dated 3 March 2020 at a compound monthly interest rate of 1% above prime rate. The facility is secured by the collateral which shall be charged to or held by China Tonghai Securities for its benefit as a first priority fixed continuing security for the payment and/or discharge to China Tonghai Securities of all and any of the Minyun's liabilities to China Tonghai Securities pursuant to the terms of the facility.	—	—	HK$5 million	HK$4.8million (Note 2a)

Items	Transactions	Amortised cost Principal amounts	Amortised cost Net Carrying amounts (Note 1)	Fair value Principal amounts	Fair value Net Carrying amounts (Note 2)
3	an outstanding margin facility of HK$38 million provided by China Tonghai Securities to COII pursuant to the terms of facility agreement dated 3 March 2020 at interest rate of 3% above prime rate per annum payable by COII annually. The facility is secured by the collateral which shall be charged to or held by China Tonghai Securities for its benefit as a first priority fixed continuing security for the payment and/or discharge to China Tonghai Securities of all and any of the COII's liabilities to China Tonghai Securities pursuant to the terms of the facility.	—	—	HK$38 million	HK$25 million (Note 2a)
4	on 31 March 2021, China Tonghai Finance extended a term loan of HK$3 million with an interest rate of 12% per annum to COII and with maturity date of 31 March 2022.	HK$3 million	HK$1 million (Note 1a)	—	—
5	on 30 June 2021, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK$141,240,822 with an interest rate of 12% per annum to COII and with a maturity date of 30 June 2022.	HK$141 million	HK$41 million (Note 1a)	—	—
6	on 30 June 2021, China Tonghai Finance extended a term loan of HK$12 million with an interest rate of 12% per annum to COII and with a maturity date of 30 June 2022.	HK$12 million	HK$3 million (Note 1a)	—	—
7	on 7 December 2020, China Tonghai Finance provided a term loan of HK$10 million with an interest rate of 12% per annum to COII and with maturity date of 31 December 2021.	HK$10 million	HK$3 million (Note 1a)	—	—
8	on 30 December 2020, China Tonghai Finance extended a term loan of HK$45 million with an interest rate of 12% per annum to COII and with maturity date of 31 December 2021.	HK$45 million	HK$14 million (Note 1a)	—	—
9	on 30 December 2020, China Tonghai Finance extended a term loan of HK$12.5 million with an interest rate of 12% per annum to COII and with maturity date of 31 December 2021.	HK$12.5 million	HK$4 million (Note 1a)	—	—
10	on 28 January 2021, China Tonghai Finance extended a term loan in the aggregate amount of HK$678 million with an adjusted interest rate of 10.5% per annum to COII and with a maturity date of 28 January 2022	HK$678million	HK$210 million (Note 1a)	—	—
11	On 1 March 2021, China Tonghai Finance provided a term loan of HK$200 million with an interest rate of 10.5% per annum to COII and with maturity date of 31 March 2022.	HK$200 million	HK$61 million (Note 1a)	—	—

Items	Transactions	Amortised cost Principal amounts	Amortised cost Net Carrying amounts (Note 1)	Fair value Principal amounts	Fair value Net Carrying amounts (Note 2)

The following term loan and unsecured private notes were provided or extended to Oceanwide Holdings International Development III Co., Ltd. (the "Issuer/OHIDIII", a subsidiary of Oceanwide Holdings):

Items	Transactions	Amortised cost: Principal amounts	Amortised cost: Net Carrying amounts (Note 1)	Fair value: Principal amounts	Fair value: Net Carrying amounts (Note 2)
1	on 1 April 2021, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK$391 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$391 million	HK$115 Million (Note 1a)	—	—
2	on 14 April 2021, China Tonghai Capital (Holdings) Limited ("China Tonghai Capital Holdings, a wholly-owned subsidiary of the Company) and China Tonghai Securities subscribed unlisted senior notes issued by the Issuer in the subscription amount of US$91 million (equivalent to approximately HK$709.6 million) with coupon interest rate of 11.8% per annum, payable semi-annually and with a maturity date of 13 April 2022.	HK$709.6 million	HK$241 million (Note 1b)	—	—
3	on 2 June 2021, China Tonghai Capital Holdings subscribed an unsecured private notes issued by the Issuer in the subscription amount of US$12 million (equivalent to approximately HK$93.6 million) with coupon interest rate of 11.8% per annum and with a maturity date of 1 June 2022.	HK$93.6 million	HK$27million (Note 1b)	—	—
4	on 30 June 2021, China Tonghai Finance extended a term loan of HK$45 million with an interest rate of 11% per annum and with a maturity date of 30 June 2022.	HK$45million	HK$13 million (Note 1a)	—	—
5	on 30 June 2021, China Tonghai Finance extended a term loan of HK$27.5 million with an interest rate of 12% per annum and with a maturity date of 30 June 2022.	HK$27.5 million	HK$8 million (Note 1a)	—	—
6	on 31 December 2020, China Tonghai Finance extended a term loan of HK$27.5 million with an interest rate of 12% per annum and with maturity date of 31 December 2021.	HK$27.5 million	HK$8 million (Note 1a)	—	—
7	on 4 March 2021, China Tonghai Finance provided a term loan of HK$180 million with an interest rate of 12% per annum and with maturity date of 31 March 2022.	HK$180 million	HK$54 million (Note 1a)	—	—
8	on 22 March 2021, China Tonghai Finance provided a term loan of HK$20 million with an interest rate of 12% per annum and with maturity date of 31 March 2022.	HK$20 million	HK$6 million (Note 1a)	—	—
	Total	HK$3,140.2 million	HK$996 million	HK$43 million	HK$29.8 million

Notes:

1a. As at 31 December 2021, approximately HK$728 million forms part of the HK$1,517 million total for current portion of other loans (note23) in the consolidated statement of financial position.

1b. As at 31 December 2021, HK$268 million forms part of the HK$268 million total for current portion of financial assets not held for trading (note 19) in the consolidated statement of financial position.

2a. As at 31 December 2021, HK$29.8 million forms part of the HK$1,383 million total for current portion of loans to margin clients (note 21) in the consolidated statement of financial position.

As at 31 December 2021, all the above loans were still outstanding.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1) On 31 December 2021, the Company as borrower entered into a deed of amendment with a licensed bank in Hong Kong as lender (the "Banking Facility Arrangement") to extend the banking facility with the existing principal amount of HK$410,000,000 (the "Extended Banking Facility") for one year from 31 December 2021. Pursuant to the Banking Facility Arrangement, Oceanwide Holdings IF and Oceanwide Holdings International Co., Ltd., being the immediate controlling shareholders of the Company and China Oceanwide, still charged 395,254,732 shares of the Company and 3,095,818,070 shares of China Oceanwide respectively, which represents 6.38% of the total issued shares of the Company and 19.18% of total issued shares of China Oceanwide (as of the date of this annual report), respectively, in favour of the licensed bank.

   Pursuant to the Banking Facility Arrangement, Mr. LU and his parties acting in concert, shall at all times directly or indirectly beneficially own not less than 60% of the issued shares of the Company. Upon the breach of this condition, the Extended Banking Facility will immediately and automatically be cancelled and all outstanding principal together with accrued interest, and all other amounts accrued under the Banking Facility Arrangement, become immediately due and payable.

2) On 1 December 2020, an indirect wholly-owned subsidiary of the Company as borrower entered into and accepted a supplemental facility letter with a licensed bank in Hong Kong to extend the revolving loan facility in the principal amount of up to HK$200 million (the "Extended December Banking Facility") up to and including 31 July 2021 or such later date as the said licensed bank may agree. Pursuant to the Extended December Banking Facility Agreement, Mr. LU and his parties acting in concert, shall at all times maintain directly or indirectly not less than 50% of the shareholdings of the borrower and shall maintain the absolute management control over the borrower and the Company. It will be an event of default upon the breach of this condition and in such event, the bank may declare that any outstanding amount due and owing under the Extended December Banking Facility shall become immediately due and payable by the borrower.

As at the date of this annual report, Mr. LU, through his controlled corporation, beneficially own approximately 72.51% of the issued shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are presented in the Corporate Governance Report which is set out on pages 73 to 84 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto. The Company has taken out insurance policies against the liability and costs associated with defending any proceeding.

EQUITY-LINKED AGREEMENT

For the financial period ended 31 December 2021, the Group did not enter into any equity-linked agreement.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of 2021 Interim Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Change
Mr. FANG Zhou	— The monthly director's fee adjusted from HK$200,000 to HK$246,000 with retrospective effect from 12 July 2021
Mr. LIU Bing	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2022
Mr. ZHAO Yingwei	— Entered the letter of appointment with the Company for a term of one year commencing 28 March 2022
Mr. ZHAO Xiaoxia	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2022
Mr. Roy LO Wa Kei	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2022
	— Ceased to be an independent non-executive director of Xinming China Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 2699), in November 2021
	— Ceased to be an independent non-executive director of China Zhongwang Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 1333), in October 2021
Mr. KONG Aiguo	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2022
	— Appointed as an independent director of Shanghai Hi-Road Food Technology Co., Ltd.* (上海海融食品科技股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 300915), in November 2021
Mr. LIU Jipeng	— Entered the letter of appointment with the Company for a term of one year commencing 18 December 2021
	— Ceased to be an independent director of CECEP Guozhen Environmental Protection Technology Co., Ltd.* (中節能國禎環保科技股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 300388), in December 2021
	— Ceased to be an independent director of Valiant Corporation Ltd.* (中節能萬潤股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002643), in November 2021

Name of Director	Details of Change
Mr. HE Xuehui	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2022
Mr. HUANG Yajun	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2022
	— Ceased to be an independent director of Keysino Separation Technology Co., Ltd.* (上海凱鑫分離技術股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code: 300899), in October 2021
	— Appointed as an independent director of Shanghai Jin Jiang Online Network Service Co., Ltd.* (上海錦江在線網路服務股份有限公司), whose shares are listed on Shanghai Stock Exchange (Stock Code: 600650), in September 2021

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

AUDITORS

The financial statement for the year ended 31 December 2019, 31 December 2020 and 31 December 2021 were audited by KPMG.

KPMG will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint KPMG as auditor of the Company.

On behalf of the Board
China Tonghai International Financial Limited

HAN Xiaosheng
Chairman

Hong Kong, 14 April 2022

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance in order to ensure better transparency and safeguard the shareholders' interest in general. The Board reviews its corporate governance practices on periodic basis in order to build the effective self-regulatory practices and implementing sound internal control systems.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules (the "CG Code"), throughout the year ended 31 December 2021 (the "Year") and subsequent period up to the date of this annual report, following the Nomination Committee has been established on 16 March 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It has also been extended to specific employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

In response to specific enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all Shareholders for the manner in which the affairs of the Company are managed, controlled and operated, and they devote sufficient time and attention to the Company's affairs. To the best of the Company's knowledge, there is no financial or family relationship among the Board members. All of them are free to exercise their independent judgment on all matters concerning the Company.

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. HAN Xiaosheng is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. Mr. Kenneth LAM Kin Hing is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the overall management of the Group's business and recommendation of strategies to the Board. Matters reserved for the Board include formulation of the Group's long-term business strategy, consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and risk management, oversight of compliance with statutory and regulatory obligations and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

The Board currently has twelve members which comprise:

— four executive Directors, namely Mr. HAN Xiaosheng, Mr. FANG Zhou, Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing;

— three non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia; and

— five independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

The brief biographical details of the above Directors are set out in the section of "Profile of Directors, Senior Management, Senior Advisor and Key Executives" of this annual report. A list containing the names of the Directors and their roles and functions can also be found in the website of the Company (www.tonghaifinancial.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

The Company has five independent non-executive Directors which represents more than one-third of the Board. They are highly experienced professionals and business people with a broad range of expertise and experience in areas covering accounting, finance and business management and the Board as a whole has achieved an appropriate balance of skills and experience. They bring independent judgment to bear on issues of strategy, policy and performance, accountability, resources, key appointments and standards of conduct, and enable the Board to maintain high standards of compliance with financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of Shareholders and the Company. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Company has received, from each independent non-executive Director, a written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. On this basis, the Company considers all independent non-executive Directors to be independent. The independent non-executive Directors had been expressly identified in all corporate communications of the Company that disclose the names of Directors.

All the non-executive Directors are appointed for a term of one year, subject to renewal and re-election as and when required under the Listing Rules and the Bye-laws.

The Board is continually updated on the Group's business and regulatory environments in which it operates and other changes affecting the Group. The Company has provided the Board with monthly updates of the Group's management information such as performance and key operational highlights to enable the Directors to discharge their duties.

The Company has arranged insurance cover for all Directors in respect of any legal action against the Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential legal liabilities.

During the Year, the Board met six times in person or through telephone conference to approve the final results for the year ended 31 December 2020, interim results for the six months ended 30 June 2021, to approve the continuing connected transactions, and to review the financial and operating performances, strategic investment decisions of the Group and the practises on corporate governance. Four general meetings were held which consisted of one annual general meeting and three special general meeting.

The number of Board Meetings, Audit Committee Meetings, Remuneration Committee Meeting, Executive Committee Meetings and General Meetings attended by each Director during the Year is set out in the following table:

	Number of Meetings Attended/Total Number of Meetings Held (Percentage of Attendance)									
Name of Directors	**Board**		**Audit Committee**		**Remuneration Committee**		**Executive Committee**		**General Meeting**	
Executive Directors										
Mr. HAN Xiaosheng	6/6	(100%)		N/A		N/A	9/12	(75%)	4/4	(100%)
Mr. FANG Zhou (Note 1)	5/6	(83%)		N/A		N/A	8/12	(66%)	2/4	(50%)
Mr. LIU Hongwei	6/6	(100%)		N/A		N/A	12/12	(100%)	4/4	(100%)
Mr. Kenneth LAM Kin Hing	6/6	(100%)		N/A		N/A	12/12	(100%)	4/4	(100%)
Mr. ZHANG Xifang *(resigned on 3 September 2021)*	2/4	(50%)		N/A		N/A	1/8	(12%)	1/3	(33%)
Non-executive Directors										
Mr. LIU Bing	1/6	(16%)		N/A		N/A		N/A	0/4	(0%)
Mr. ZHAO Yingwei	6/6	(100%)		N/A		N/A		N/A	4/4	(100%)
Mr. ZHAO Xiaoxia	5/6	(83%)		N/A		N/A		N/A	4/4	(100%)
Independent Non-executive Directors										
Mr. Roy LO Wa Kei (Note 2)	6/6	(100%)	3/3	(100%)		N/A		N/A	4/4	(100%)
Mr. KONG Aiguo (Note 3)	4/6	(66%)	2/3	(66%)	1/2	(50%)		N/A	3/4	(75%)
Mr. LIU Jipeng	6/6	(100%)	3/3	(100%)	2/2	(100%)		N/A	4/4	(100%)
Mr. HE Xuehui	6/6	(100%)	3/3	(100%)	2/2	(100%)		N/A	4/4	(100%)
Mr. HUANG Yajun	5/6	(83%)	3/3	(100%)	2/2	(100%)		N/A	4/4	(100%)

Notes:

1. Chairperson of the Executive Committee

2. Chairperson of the Audit Committee

3. Chairperson of the Remuneration Committee

Each Director is aware that he should give sufficient time and attention to the affairs of the Company. Upon reviewing (a) the directorships and major commitments of each Director; and (b) the attendance rate of each Director on board meeting and committee meetings as well as general meetings, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Year.

Arrangements are in place to allow all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. At least fourteen days' notice of all Board meetings is given to all Directors. The agenda and board materials are sent to all Directors at least three days in advance of every Board meeting to facilitate informed discussion and decision-making. Senior management will be invited to attend the Board meeting, when necessary, to provide information and explanation to facilitate the decision-making process.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates has a material interest and he/she shall not be counted in the quorum present at such Board meeting. Independent Non-Executive Directors, who, and whose close associates have no material interest in the transaction, are present at the Board meeting

All Directors have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.

The proceedings of the Board at its meetings are generally conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to the Directors to speak, express their views and share their concerns.

The Company Secretary keeps minutes of each meeting. Draft minutes are sent to all Directors within a reasonable time for their comment and final versions of the minutes are available for inspection by all Directors at any time.

New director appointed by the Board to fill a casual vacancy is subjected to re-election by shareholders of the Company at the next general meeting pursuant to the Bye-laws of the Company. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting. Therefore, no Director has an effective term of appointment longer than three years.

At the annual general meeting of the Company held on 21 May 2021, Mr. HAN Xiaosheng, Mr. FANG Zhou and Mr. ZHANG Xifang (who resigned on 3 September 2021) were re-elected as executive Directors, Mr. ZHAO Yingwei was re-elected as non-executive Director; Mr. Roy LO Wa Kei and Mr. LIU Jipeng were re-elected as independent non-executive Directors.

In order to allow the newly appointed directors to understand the responsibilities under the relevant regulatory requirements, the operation and business of the Company, the Company will provide an orientation package including key legal requirements, the Memorandum and Bye Laws and information of the Company to and arrange a tailor-made induction for the newly appointed directors.

BOARD COMMITTEES

The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee can be found in the website of the Company (www.tonghaifinancial.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Audit Committee

The Audit Committee has been established to assist the Board in reviewing the financial information of the Company, maintaining the relationship with the external auditor and overseeing the financial reporting system, risk management and internal control procedures of the Company.

It currently comprises a non-executive Director, namely Mr. ZHAO Yingwei, and five independent non-executive Directors, namely Mr. Roy LO Wa Kei (the Chairman), Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun. No member of the Audit Committee was a former partner of the existing external auditor of the Company.

The major role and authorities of the Audit Committee are summarised below:

i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

ii) to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

iii) to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

iv) to review the Company's financial controls, internal controls and risk management systems.

During the Year, three Audit Committee meetings were held. The Chief Financial Officer, the Chief Operating and Risk Officer, the Head of Internal Audit, the Head of Compliance and other key executives of the Company were also invited to participate in the meetings. The Audit Committee members also met privately with the external auditor during the Year.

During the Year, the Audit Committee has discharged its responsibilities by considering and reviewing the following:

i) the financial statements for the year ended 31 December 2020 and for the six months ended 30 June 2021;

ii) the audit plan and the nature, scope and process of the external audit;

iii) the continuing connected transactions of the Group for the year ended 31 December 2020;

iv) the risk management and internal control systems of the Company;

v) the internal audit reports, the major findings and recommendations from internal audit;

vi) the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting and financial reporting function; and

vii) the recommendation to the Board on the re-appointment of external auditor.

Remuneration Committee

The Remuneration Committee has been established and empowered by the Board to determine and review the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, share options and benefits in kind.

It currently comprises two executive Directors, namely Mr. FANG Zhou and Mr. LIU Hongwei, and four independent non-executive Directors, namely Mr. KONG Aiguo (the chairman), Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

The major roles and authorities of the Remuneration Committee are summarised below:

i) to review and recommend to the Board on the Group's remuneration policy and strategy;

ii) to review and approve the proposals for remuneration of the executive Directors, senior management and employees of the Group; and

iii) to review and approve the compensation arrangement relating to the dismissal or removal of directors.

During the Year, two Remuneration Committee meetings were held and the Remuneration Committee has discharged its responsibilities by considering and reviewing the following:

i) the terms of reference of the committee; and

ii) the discretionary bonus for senior management.

The basis for determining the emolument payable to directors and senior management are with reference to the prevailing market condition, the financial performance of the Company, time commitment and responsibilities and comparable market statistics. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, performance and prevailing market conditions.

Nomination Committee

The Nomination Committee has been established on 16 March 2022 and is accountable to the Board to review the Board composition, to make recommendations to the Board on the appointment or reappointment of Directors and to assess the independence of independent non-executive Directors.

It currently comprises two executive-Directors, namely Mr. HAN Xiaosheng (the chairman) and Mr. Kenneth LAM Kin Hing, and four independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng and Mr. HE Xuehui.

The major roles and authorities of the Nomination Committee are summarised below:

i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

ii) to identify individuals suitably qualified to become members of the Board and select or make recommendation to the Board on the selection of individuals to be nominated as directorship;

iii) to assess the independence of INEDs having regard to the criteria under the Listing Rules; and

iv) to make recommendation to the Board on the appointment or re-appointment of directors and succession planning for directors.

In February 2014, the Board has adopted a Board Diversity Policy which aims to set out the approach to achieve diversity on the Board. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy while taking into account of diversity. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates are likely to bring to the Board. The Board Diversity Policy, as appropriate, will be reviewed on periodic basis to ensure its continuing effectiveness.

The Group has adopted the nomination policy with retrospective effect from 1 January 2019. Each proposed new appointment or re-election of a director will be assessed and/or considered against the criteria and process set out in the nomination policy.

As a whole, the Board is diverse in terms of education background, professional background and business experience. Their age, gender and length of service with the Company can be found in the section of "Profile of Directors, Senior Management, Senior Advisor and Key Executives" of this annual report.

Any new director appointed by the Board during the year shall be required to be offered for re-election by shareholders of the Company at the next general meeting if appoint to fill a casual vacancy or next annual general meeting of the Company if appoint as an addition to the Board pursuant to the Bye-laws of the Company.

Shareholders may propose a person for election as a Director at the general meeting of the Company pursuant to the Bye-laws of the Company. The procedures for such proposal can be found in the website of the Company (www.tonghaifinancial.com).

Executive Committee

The Executive Committee has been established which oversees the implementation of group business strategy, oversees the business operations and performance, examines major investments and monitors the management performance. It also identifies and manages the market risk, credit risk, liquidity risk, operational risk, legal risk and regulatory risk of the Group, devises the Group's risk management strategy and strengthens the Group's system of risk management. It currently comprises all the executive Directors, namely Mr. HAN Xiaosheng, Mr. FANG Zhou, Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing. In order to sustain the long-term business development of the Company, meetings are usually held once every month.

The senior managements and key executive, namely the Chief Operating and Risk Officer, the Chief Financial Officer, the Chief Investment Officer and the Head of Compliance are invited to participate actively in the meetings. Minutes of the Executive Committee Meetings had also been sent to all the members of the Board within a reasonable time for review.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors and company secretary of the Company (the "Company Secretary") should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board are made on a well-informed basis.

During the Year, all Directors had complied with the code provision in relation to continuous professional development. Directors (namely, Mr. HAN Xiaosheng, Mr. FANG Zhou, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. LIU Bing, Mr. ZHAO Yingwei, Mr. ZHAO Xiaoxia, Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun) have involved reading materials and updates relevant to the regulatory changes, director's duties and responsibilities.

During the Year, the Company Secretary confirmed that she has undertaken no less than 15 hours of relevant professional training.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors for the Year are set out in note 15 to the financial statements.

The remuneration (included salaries, discretionary bonus and performance bonus) of the members of senior management (other than the Directors), whose particulars are set out in the section headed "Profile of Directors, Senior Management, Senior Advisor and Key Executives" in this annual report, for the Year by band is set out below:

Remuneration Bands	Number of Senior Management
Below HK$5,000,000	1
Above HK$5,000,000	2

AUDITOR'S REMUNERATION

During the Year, the Group has engaged the following audit and non-audit services provided by the external auditor (i.e. KPMG):

Type of services	HK$'000
Audit fee for the Group	
— Current year	4,300
Taxation services for the Group	300
Non-audit services in respect of notifiable transaction under Listing Rules	1,130
TOTAL	5,730

The Audit Committee will recommend the appointment of KPMG for assurance service for the financial year ending 31 December 2022 at a fee to be agreed.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Company and of the Group as at 31 December 2021 and of the Group's financial performance and cash flow for the year ended 31 December 2021 in accordance with Hong Kong Financial Reporting Standards and the applicable disclosure provisions of the Listing Rules and for ensuring that appropriate accounting policies are selected and applied consistently.

KPMG, the external auditor of the Company, stated their reporting responsibilities in the Independent Auditor's Report which is set out on pages 85 to 93 of this annual report.

Save as disclosed in note 2.2 to the consolidated financial statements under the heading "Material uncertainty related to going concern", the Board confirms that, to the best of their knowledge, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy") effective from 9 January 2019.

The declaration of dividends by the Company is subject to any restrictions under the Company Act 1981 of Bermuda, the Listing Rules, bye-laws of the Company and any applicable laws, rules and regulations. Distribution will usually be considered annually after the annual accounts of the Company are approved by the Shareholders but interim distribution may be made from time to time to Shareholders as appear to the Board to be justified by the position of the Company.

The declaration of future dividends will be subject to the decision by the Board and will depend on, among other things, the operation and financial performance, liquidity conditions, capital requirements and future funding needs, contractual restrictions, availability of reserves and the prevailing economic climate or any other factors that our Directors may consider relevant.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges the responsibility for establishing and maintaining an adequate system of internal control and risk management. The internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to protect the Group's operations and its clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

The Group has well established risk management mechanism. Each business departments has the primary responsibility of managing its business risk, and serves as the first line of defence for the risk management and internal control systems. The middle and back office departments, which perform their management functions independently from the business units, particularly Risk Management and Compliance, form the second line of defence for the risk management and internal control systems. Charged with the major duty of independent oversight of risks, the compliance team is responsible for managing compliance risks, whereas the Risk Management Team is tasked with management of the overall risk governance, credit risk, market risk, liquidity and funding risk, and operational risk. The Internal Audit Department of the Company serves as the third line of defence to provide independent review and assurance of the Group's internal control effectiveness by adoption of risk-based approach.

During the Year, the Executive Committee continued to oversee the internal control and risk management systems of the Group on an ongoing basis, and had reviewed the particular internal controls and governance issues of the Group at each Executive Committee meeting with the assistance of the Chief of Operating and Risk Officer and Head of Compliance.

The internal audit function develops its annual audit plan with a risk-based approach that covers the Group's major business activities and supporting functions' operations, procedures, as well as its IT environment. The annual audit plan is approved by the Audit Committee at the beginning of each year. The result of each audit will be reported to the Audit Committee. Moreover, special reviews will be conducted on specific areas of concern identified by the Audit Committee and senior management.

The Board, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function during the Year. The review will be conducted annually in accordance with the requirements of the CG Code.

The Company is aware of its disclosure obligations under the Listing Rules and the Inside Information provisions under the Securities and Futures Ordinance and has put in place the proper procedure to ensure that any perceived inside information would be announced to the investing public on a timely basis.

The Board reviews the effectiveness of the Group's risk management and internal control systems on an ongoing basis. Through the structure and measures mentioned above, the Board considered that systems and procedures of the internal control and risk management of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the shareholders, including institutional investors, is crucial. The Company manages investor relations systematically as a key part of its operations and continues to promote and enhance investor relations and communications with the investors.

The Company maintains a company website at www.tonghaifinancial.com. It is a channel of the Company to communicate with the investing public with our latest corporate development. All our corporate communications, such as press release, statutory announcement, circular, annual report and interim report etc. are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquiries to the Company's email address: ir@tonghaifinancial.com, which will be handled by the Company's investor relations team. The Company has established a shareholders' communication policy, which can be found in the website of the Company (www.tonghaifinancial.com). Having considered the multiple channels of communication available, it is satisfied that the shareholders communication policy has been properly implemented during the year 2021 and is effective.

The last annual general meeting of the Company was held on 21 May 2021 at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong. At the meeting, the ordinary business of adopting the audited financial statements for the year ended 31 December 2020, the declaration of final dividend, the re-election of Directors, the re-appointment of auditor and the authorisation of the Directors to fix their remuneration were approved. Ordinary resolutions providing Directors with general mandates to repurchase and allot and issue shares of the Company subject to the relevant limits under the Listing Rules were also approved. Mr. HAN Xiaosheng, Mr. ZHANG Xifang, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. ZHAO Yingwei, Mr. ZHAO Xiaoxia, Mr. Roy LO Wa Kei (Chairman of Audit Committee), Mr. LIU Jipeng, Mr. HE Xuehui, Mr. HUANG Yajun and representatives of KPMG (the external auditor) were present and available to answer questions at the meeting.

The forthcoming annual general meeting of the Company will be scheduled to be held on Friday, 24 June 2022. Details of the meeting and the necessary information on issues to be considered in the meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

CONSTITUTIONAL DOCUMENTS

There is no change in the constitutional documents of the Company during the Year.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting of the Company. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong.

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's registered office and principal place of business in Hong Kong.

The written requisition must be signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

CONCLUSION

The Company believes that good corporate governance practices raise the confidence of investors towards the Company. We were one of the founding signatories of the Hong Kong Corporate Governance Charter of The Chamber of Hong Kong Listed Companies which demonstrated the commitment of the Company to uphold good corporate governance. The Company will keep its ongoing effort to enhance the corporate governance practices in order to meet the changing circumstances.

KPMG

To the shareholders of China Tonghai International Financial Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Tonghai International Financial Limited ("the Company") and its subsidiaries ("the Group") set out on pages 94 to 206, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.2 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$2,261 million attributable to the shareholders of the Company during the year ended 31 December 2021. As at 31 December 2021, the Group's bank and other borrowings of HK$1,503 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to HK$405 million as at the same date. In addition, the Group's related parties, including the immediate holding company, intermediate holding company and a fellow subsidiary, experienced a series of credit default events such as debt defaults and lawsuits during the year, which indicated concerns about repayment of the amounts due from them and may affect the Group's ability to raise additional funds or renew/extend its existing borrowings. These events or conditions, along with other matters as set forth in Note 2.2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KPMG

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of the fair value of level 2 and 3 financial instruments

Refer to note 44 to the consolidated financial statements and notes 2.15 and 2.21 of the accounting policies.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, the fair value of the Group's financial assets carried at fair value represented 37% of its total assets. HK$1,549,180,000 and HK$564,168,000 were classified under the fair value hierarchy as level 2 and 3 financial instruments respectively. The Group's financial liabilities carried at fair value was HK$27,958,000 which are all classified as level 2 financial instruments. The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require judgement. Some of the inputs used in the valuation models are obtained from readily available data for liquid markets. Where such observable data is not available, as in the case of level 3 financial instruments which are generally illiquid in nature, estimates need to be developed which can involve significant management judgement. We identified assessing the fair value of level 2 and 3 financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures for assessing the fair value of level 2 and 3 financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation of level 2 and 3 financial instruments; • reading investment agreements for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments; • assessing the reasonableness of the fair value of selected level 2 financial instruments by assessing fair value of underlying collateral or involving KPMG valuation specialists to perform independent valuations; • involving KPMG valuation specialists to assist us in evaluating a sample of level 3 financial instruments whether the valuation models used by the Group is appropriate with reference to the requirements of the prevailing accounting standard and whether the assumptions are appropriate by comparing with publicly available market data, testing inputs to the fair value calculations;

KEY AUDIT MATTERS (CONTINUED)

Assessment of the fair value of level 2 and 3 financial instruments (Continued)	
Refer to note 44 to the consolidated financial statements and notes 2.15 and 2.21 of the accounting policies.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• comparing the fair values of those investment funds where the valuation is referenced to the funds' net asset value with the net asset value reports provided by fund managers, obtaining a sample of the most recent audited financial statements of the funds, and evaluating the historical accuracy of the net asset values; and testing, on a sample basis, the fair value of the underlying investments to their quoted price, if available, or valuation reports prepared by external specialist. We also evaluated the competence, capability and objectivity of the external specialist; and • evaluating the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KPMG

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Impairment allowance of financial instruments measured at amortised cost</th></tr>
<tr><td colspan="2">Refer to note 46 to the consolidated financial statements and note 2.15 of the accounting policies.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2021, the Group's financial instruments measured at amortised cost, net of impairment allowance, amounted to HK$4,199,596,000, represented 61% of the Group's total assets, of which HK$996,168,000 is with related parties. Total impairment allowance was HK$3,110,982,000 as at 31 December 2021, of which HK$2,434,256,000 is provided for financial instruments with related parties as counterparty.

The Group applied the expected credit loss model to assess impairment allowances of financial instruments measured at amortised cost in accordance with HKFRS 9, Financial instruments.

Given the liquidity concern and ongoing litigations of the Group's related parties, including the Group's immediate holding company, intermediate holding company and a fellow subsidiary, has led to additional challenges in assessing the amounts expected to be recovered from the Group's related parties. The Group had engaged an external specialist to assess impairment allowances of financial assets with related parties and certain third parties.

The determination of impairment allowance using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information and other adjustment factors. Significant judgment is involved in the selection of the parameters and the application of the assumptions.</td><td>Our audit procedures to assess the impairment allowance for financial instruments measured at amortised cost included the following:

• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial instruments measured at amortised cost and the calculation of impairment allowance;

• involving our internal specialists in assessing the Group's expected credit loss model in determining impairment allowances, including assessing the appropriateness of the methodology applied with reference to the prevailing accounting standard and appropriateness of the key parameters and assumptions used by comparing to market information and considering the possibility of management bias in the determination of key assumptions adopted;

• evaluating the competence, capabilities and objectivity of the external specialist engaged by the Group;</td></tr>
</table>

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KEY AUDIT MATTERS (CONTINUED)

Impairment allowance of financial instruments measured at amortised cost (Continued)	
Refer to note 46 to the consolidated financial statements and note 2.15 of the accounting policies.	
The Key Audit Matter	**How the matter was addressed in our audit**
In particular, the determination of the probability of default is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses are derived from estimates including the historical losses, historical overdue data and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrowers or investees, the recoverable amount of collaterals, the seniority of the claims and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collaterals have an impact on the recoverable amount of collaterals and therefore the amount of impairment allowances as at the end of the reporting period. We identified impairment allowance of financial instruments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved, and because of its significance to the financial results and capital of the Group.	• for financial instruments measured at amortised cost that are with related parties as the counterparty, involving our internal specialists in assessing the reasonableness of the impairment allowances calculated by the external specialist by assessing the appropriateness of the methodology applied with reference to the prevailing accounting standard and the appropriateness of the key parameters and assumptions used by comparing to market information and considering the possibility of management bias in the determination of key assumptions adopted; • assessing the accuracy of input data of key parameters used in the expected credit loss models by comparing the internal data on a sample basis with underlying documents for financial instruments measured at amortised cost and comparing external data on a sample basis with publicly available information; • for key parameters involving judgement, critically assessing input parameters by seeking evidence from independent sources. As part of these procedures, we challenged the reasons for modifications, if any, to how the estimates and input parameters are derived and considered the consistency of judgement. We compared the economic factors, on a sample basis, used in the models with market information to assess whether they were aligned with market and economic development; we also compared externally available data to the list of litigations considered by the external specialist to assess the appropriateness of the loss given default for balances with those related parties.

KPMG

KEY AUDIT MATTERS (CONTINUED)

Impairment allowance of financial instruments measured at amortised cost (Continued)	
Refer to note 46 to the consolidated financial statements and note 2.15 of the accounting policies.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• evaluating the validity of management's assessment, on a sample basis, on whether the credit risk of financial instruments measured at amortised cost has, or has not, increased significantly since initial recognition and whether credit impairment has occurred. We evaluated the validity by checking the overdue information, making enquiries of credit managers about the borrowers' business operations, checking borrowers' financial information and researching external market information about borrowers' businesses where available; • evaluating the lifetime credit losses for financial instruments measured at amortised cost that are credit-impaired by evaluating the Group's assessment of cash flows expected to be recovered and challenging the viability of the Group's recovery plan; • checking, on a sample basis, the mathematical accuracy of the Group's calculation of the impairment allowances; and • evaluating the reasonableness of the disclosures on impairment allowance with reference to the requirements of the prevailing accounting standard.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

KPMG

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

KPMG

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

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 April 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Fee and commission income	5	**210,684**	234,242
Interest income			
— Calculated using the effective interest method	5	**440,076**	424,552
— Calculated using other method	5	**173,079**	242,406
Net investment gain	5	**33,983**	203,415
Total revenue	5	**857,822**	1,104,615
Other income	6	**15,110**	15,902
Direct costs		**(141,838)**	(165,747)
Staff costs	9	**(186,178)**	(255,215)
Depreciation and amortisation	10	**(45,807)**	(48,243)
Expected Credit Loss ("ECL") net charges		**(2,582,604)**	(372,627)
Finance costs			
— Interest on borrowings	8	**(59,717)**	(105,713)
— Interest on lease liabilities	8	**(2,725)**	(4,111)
Other operating expenses	11	**(55,325)**	(53,662)
Share of result of an associate		**526**	(206)
Share of results of joint ventures		**1,552**	(1,873)
(Loss)/profit before tax	10	**(2,199,184)**	113,120
Tax expense	12	**(61,393)**	(9,870)
Net (loss)/profit attributable to equity holders of the Company		**(2,260,577)**	103,250
(Loss)/earnings per share for net (loss)/profit attributable to equity holders of the Company		**HK cent(s)**	HK cent(s)
— Basic and diluted	13	**(36.782)**	1.680
Dividend per share	14	**—**	0.5

The notes on pages 101 to 206 form part of these financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 14.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Net (loss)/profit attributable to equity holders of the Company	**(2,260,577)**	103,250
Other comprehensive income including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
— Exchange gain on translation of financial statements of foreign operations	**980**	2,436
Item that will not be reclassified subsequently to profit or loss		
— Changes in fair value of financial assets measured at fair value through other comprehensive income (note 19(b))	**(3,840)**	1,977
Other comprehensive income including reclassification adjustments and net of tax	**(2,860)**	4,413
Total comprehensive income attributable to equity holders of the Company	**(2,263,437)**	107,663

The notes on pages 101 to 206 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021			As at 31 December 2020		
		Current HK$'000	Non-current HK$'000	Total HK$'000	Current HK$'000	Non-current HK$'000	Total HK$'000
ASSETS							
Cash and cash equivalents	16	405,290	—	405,290	214,461	—	214,461
Bank balances held on behalf of clients	17	1,178,362	—	1,178,362	1,448,532	—	1,448,532
Financial assets held for trading	18	1,026,012	83,082	1,109,094	1,956,168	113,039	2,069,207
Financial assets not held for trading	19	267,612	4,210	271,822	117,494	8,050	125,544
Derivative financial instruments	20	17,267	—	17,267	94,899	—	94,899
Loans to margin clients	21	1,382,977	—	1,382,977	1,371,861	—	1,371,861
Advances to customers for corporate actions	22	189,308	—	189,308	189,448	—	189,448
Other loans	23	1,517,018	81,040	1,598,058	3,190,070	148,830	3,338,900
Reverse repurchase agreements	24	2,050	—	2,050	163,849	—	163,849
Accounts receivable	25	454,165	—	454,165	545,225	—	545,225
Prepayments, deposits and other receivables		84,577	—	84,577	118,614	—	118,614
Interest in an associate	26	—	2,430	2,430	—	1,904	1,904
Interests in joint ventures	27	—	—	—	—	39,118	39,118
Goodwill and other intangible assets	28	—	20,172	20,172	—	17,782	17,782
Other assets	29	—	21,517	21,517	—	24,068	24,068
Investment property	30	—	—	—	—	9,600	9,600
Property and equipment	30	—	72,724	72,724	—	99,120	99,120
Tax recoverables		15,947	—	15,947	—	—	—
Deferred tax assets	36	—	15,525	15,525	—	72,265	72,265
TOTAL ASSETS		6,540,585	300,700	6,841,285	9,410,621	533,776	9,944,397

	Notes	As at 31 December 2021 Current HK$'000	Non-current HK$'000	Total HK$'000	As at 31 December 2020 Current HK$'000	Non-current HK$'000	Total HK$'000
LIABILITIES AND EQUITY							
Liabilities							
Bank and other borrowings	33	**1,502,854**	**—**	**1,502,854**	1,872,838	—	1,872,838
Accounts payable	31	**1,541,785**	**—**	**1,541,785**	1,954,531	—	1,954,531
Obligations under repurchase agreements	32	**—**	**—**	**—**	1,965	—	1,965
Contract liabilities	34	**11,004**	**—**	**11,004**	5,864	—	5,864
Lease liabilities	35	**33,572**	**13,879**	**47,451**	35,196	44,814	80,010
Accruals and other payables		**117,174**	**—**	**117,174**	110,094	—	110,094
Tax payables		**23,362**	**—**	**23,362**	20,403	—	20,403
Deferred tax liabilities	36	**—**	**860**	**860**	—	7,475	7,475
TOTAL LIABILITIES		**3,229,751**	**14,739**	**3,244,490**	4,000,891	52,289	4,053,180
Equity							
Share capital	37			**20,657**			20,657
Reserves				**3,576,138**			5,870,560
TOTAL EQUITY				**3,596,795**			5,891,217
TOTAL LIABILITIES AND EQUITY				**6,841,285**			9,944,397
Net current assets				**3,310,834**			5,409,730

Approved and authorised for issue by the Board on 14 April 2022.

On behalf of the Board

HAN Xiaosheng
Director

Kenneth LAM Kin Hing
Director

The notes on pages 101 to 206 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(2,199,184)**	113,120
Adjustments for:			
Amortisation of other intangible assets	10	**2,257**	1,823
Changes in net assets value attributable to other holders of consolidated investment funds	6	**(4,526)**	1,386
Depreciation of property and equipment	10	**43,550**	46,420
Dividend income	5	**(23,994)**	(18,702)
Finance costs	8	**62,442**	109,824
Loss on revaluation of investment property	6	**—**	2,100
Net charge of ECL provisions		**2,582,604**	372,627
Interest income	5	**(613,155)**	(666,958)
Net losses on disposals of property and equipment	10	**—**	60
Net realised loss on financial assets measured at amortised cost	5	**—**	394
Net realised and unrealised gain on financial assets measured at fair value through profit or loss	5	**(9,989)**	(185,107)
Share of result of an associate		**(526)**	206
Share of results of joint ventures		**(1,552)**	1,873
Operating loss before working capital changes		**(162,073)**	(220,934)
Increase in other assets		**(6)**	(273)
Decrease/(increase) in accounts receivable, prepayments, deposits and other receivables		**121,151**	(113,611)
(Increase)/Decrease in loans to margin clients		**(55,029)**	564,500
Decrease/(increase) in financial assets held for trading		**1,042,894**	(84,986)
(Increase)/decrease in financial assets not held for trading		**(673,711)**	30,422
Decrease/(increase) in derivative financial instruments		**27,980**	(15,517)
Decrease in advances to customers for corporate actions		**—**	55,000
Increase in other loans		**(122,280)**	(369,583)
Decrease/(increase) in reverse repurchase agreements		**162,249**	(164,277)
Decrease/(increase) in bank balances held on behalf of clients		**270,170**	(195,122)
(Decrease)/increase in accounts payable, contract liabilities and accruals and other payables		**(400,822)**	324,728
Cash generated from/(used in) operations		**210,523**	(189,653)
Dividend received		**23,994**	18,702
Interest received		**447,286**	580,195
Income tax paid, net		**(24,256)**	(47,082)
Net cash generated from operating activities		**657,547**	362,162

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Purchases of other intangible assets		**(1,443)**	(47)
Purchases of property and equipment		**(4,112)**	(10,356)
Acquisition of subsidiaries, net of cash acquired	16(d)	**41,480**	—
Net cash generated from/(used in) investing activities		**35,925**	(10,403)
Cash flows from financing activities			
Capital element of lease rentals paid	16(b)	**(35,827)**	(35,216)
Interest element of lease rentals paid	16(b)	**(2,725)**	(4,111)
Interest paid for obligations under repurchase agreements	16(b)	**(33)**	(10)
Interest paid for bank and other borrowings	16(b)	**(81,562)**	(104,796)
Net repayments of bank and other borrowings		**(348,115)**	(165,089)
Payments on redemption of shares by other holders of a consolidated investment fund	16(b)	**(765)**	(12,203)
Net (repayment of)/proceeds from obligations under repurchase agreements	16(b)	**(1,956)**	1,956
Dividend paid to the equity shareholders of the Company	14	**(30,985)**	—
Net cash used in financing activities		**(501,968)**	(319,469)
Net increase in cash and cash equivalents		**191,504**	32,290
Cash and cash equivalents at the beginning of the year		**214,461**	182,449
Effect of foreign exchange rate changes, on cash held		**(675)**	(278)
Cash and cash equivalents at the end of the year	16(a)	**405,290**	214,461

The notes on pages 101 to 206 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Contributed surplus* HK$'000	Exchange reserve* HK$'000	Investment revaluation reserve* HK$'000	Property revaluation reserve* HK$'000	Shareholder's contribution* HK$'000	Shares held for Share Award Scheme* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 January 2020	20,657	117,070	1,019	5,352,580	(2,829)	(18,066)	5,255	1,811	(22,798)	328,855	5,783,554
Net profit for the year	—	—	—	—	—	—	—	—	—	103,250	103,250
Other comprehensive income											
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	2,436	—	—	—	—	—	2,436
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	—	1,977	—	—	—	—	1,977
Total comprehensive income for the year	—	—	—	—	2,436	1,977	—	—	—	103,250	107,663
At 31 December 2020	20,657	117,070	1,019	5,352,580	(393)	(16,089)	5,255	1,811	(22,798)	432,105	5,891,217
At 1 January 2021	**20,657**	**117,070**	**1,019**	**5,352,580**	**(393)**	**(16,089)**	**5,255**	**1,811**	**(22,798)**	**432,105**	**5,891,217**
Dividend approved in respective of previous financial year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(30,985)**	**(30,985)**
Transactions with equity holders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(30,985)**	**(30,985)**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,260,577)**	**(2,260,577)**
Other comprehensive income											
— Exchange gain on translation of financial statement of foreign operations	**—**	**—**	**—**	**—**	**980**	**—**	**—**	**—**	**—**	**—**	**980**
— Changes in the fair value of financial assets measured at fair value through other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(3,840)**	**—**	**—**	**—**	**—**	**(3,840)**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**980**	**(3,840)**	**—**	**—**	**—**	**(2,260,577)**	**(2,263,437)**
As at 31 December 2021	**20,657**	**117,070**	**1,019**	**5,352,580**	**587**	**(19,929)**	**5,255**	**1,811**	**(22,798)**	**(1,859,457)**	**3,596,795**

* These reserve accounts comprise the reserves of HK$3,576,138,000 (31 December 2020: HK$5,870,560,000) in the consolidated statement of financial position as at 31 December 2021.

The notes on pages 101 to 206 form part of these financial statements.

1 GENERAL INFORMATION

China Tonghai International Financial Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At 31 December 2021, the immediate holding company is Oceanwide Holdings International Financial Development Co., Ltd, a company incorporated in the British Virgin Islands ("BVI"). Its ultimate holding company is Tohigh Holdings Co., Ltd., a company incorporated in the People's Republic of China ("PRC") and its intermediate holding company is Oceanwide Holdings Co., Ltd., a joint stock company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange.

The Group is principally engaged in the following activities:

— corporate finance advisory and general advisory services

— fund management, discretionary portfolio management and portfolio management advisory services

— discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services

— money lending services

— financial media services

— investing and trading of various investment products

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all the applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

2.2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in an associate and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2.12);

— financial instruments classified as financial assets at fair value through profit or loss (see note 2.15);

— financial instruments classified as financial assets at fair value through other comprehensive income (see note 2.15);

— derivative financial instruments (see note 2.15); and

— third party interests in consolidated investment funds (see note 2.21).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (Continued)

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

Material uncertainty related to going concern

For the year ended 31 December 2021, the Group incurred a net loss attributable to the shareholders of the Company of HK$2,261 million (2020: net profit of HK$103 million). As at 31 December 2021, the Group's bank and other borrowings of HK$1,503 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to HK$405 million as at the same date.

As at 31 December 2021, the Group's total other loans receivables and financial assets not held for trading (net of expected credit losses) amounted to HK$1,870 million, of which HK$996 million were due from certain related parties including the Company's immediate holding company, Oceanwide Holdings International Financial Development Co., Limited, intermediate holding company, Oceanwide Holdings Co., Ltd, and a fellow subsidiary, China Oceanwide Holdings Limited. These related parties experienced a series of credit default events such as debt defaults and lawsuits during the year, which indicated concerns about their liquidity and ability to refinance. On 21 October 2021, a creditor of the Company's immediate holding company, Spring Progress Investment Solutions Limited, also appointed Mr. Cliff Tsui and Ms. So Kit Yee Anita of Ernst & Young Transactions Limited as joint and several receivers over around 4,098 million ordinary shares (approximately 66.13% ownership) of the Company.

The financial difficulties of the Company's related parties raised significant concerns over recoverability and/or timing of any repayments of the amounts due from them for the next twelve months from 31 December 2021. In addition, these concerns may also affect the Group's ability to raise additional funds, timely renew or extend its existing bank borrowings. Several of the Group's banks have already requested reductions in banking facilities or lowered actual drawdown amount.

All the above raised considerable concerns about the Group's financial soundness as the Group may encounter liquidity issues when and if its creditors take extreme actions. These events or conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharges its liabilities in the normal course of business.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (Continued)

Material uncertainty related to going concern (Continued)

In view of the above circumstances, the directors have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been taken after 2021 to improve its liquidity, including but not limited to:

(i) On 11 March 2022, the Group issued a private note of HK$21 million collateralised by a private equity fund;

(ii) On 25 March 2022, the Group entered into a deed of assignment with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to purchase a distressed loan and interest receivable with a gross amount as at 31 December 2021 of HK$227 million for a consideration of HK$199 million.

In addition, the Group plans to:

(a) seek additional borrowings from banks, financial institutions and other counterparties (including mortgage one of its properties); and

(b) raise additional financing whenever necessary, including but not limited to, issuance of new unsecured private notes and realisation of certain liquid investments.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In the opinion of the directors, assuming the success of the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to generate sufficient cash flows in time to repay the obligations when they fall due or are demanded to repay early. The sufficiency of the Group's working capital to satisfy its liquidity requirements for the next twelve months from 31 December 2021 may be affected by the financial soundness and negative news of the Group's immediate, intermediate and ultimate holding companies.

Should the Group be unable to operate as a going concern, adjustments would have to be made to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions, balances and cash flows between group companies together with any unrealised profits arising from inter-company transaction 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 in line with those used by the Group.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest; and the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting of a financial asset, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights relating to the investee (held by the Group and others) are considered. For a right to be substantive, the Group must have the practical ability to exercise that right. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has a less than majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including (a) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; (b) potential voting rights held by the Group, other vote holders or other parties; (c) rights arising from other contractual arrangements; and (d) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities often have restricted activities and a narrow and well defined objective.

In the Company's statement of financial position, investment in subsidiaries are carried at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post- acquisition profits are recognised in the Company's profit or loss.

2.5 Associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group or the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which the Group and other parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Associates and joint ventures (Continued)

In the consolidated financial statements, the investments in associates or joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the post-acquisition change in the Group's share of net assets and any impairment losses relating to the investments. The Group's share of the post-acquisition, post-tax results of the investees, including any impairment losses on the investments in associates or joint ventures for the period, are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income of the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are recognised only to the extent of unrelated investors' interests in the associates or joint ventures. The investor's share in the associate's or joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to conform the associate's or joint venture's accounting policies to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and this amount is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture is included in the determination of gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

In the Company's statement of financial position, investments in associates and joint ventures are carried at cost less impairment losses, if any. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable during the period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All value are rounded to the nearest thousand except where otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the foreign exchange rate at the date of the transaction.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

On disposal of a foreign operation involving loss of control over a subsidiary, joint control over a joint venture or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in exchange reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Revenue and other income

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) for financial advisory, financial media service, handling and custodian service fee income, depending on the nature of the services and the contract terms, advisory fees are recognised progressively over time using output method based on milestones achieved that depicts the Group's performance, or at a point in time when the advisory service is completed;

(b) for asset management fee income, it is recognised on a time-proportion basis with reference to the net asset value of the investment funds and portfolios under management;

(c) for performance fee income, it is recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant period, taking into consideration the relevant calculation basis of the investments funds and portfolios under management;

(d) for commission income from brokerage business, it is recognised on a trade date basis when the relevant transactions are executed;

(e) for interest income from financial assets measured at amortised cost, it is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of impairment allowance) of the asset;

(f) for interest income from financial assets measured at fair value through profit or loss, it is recognised as it accrues using the effective interest method;

(g) for placing and underwriting commission income, they are recognised at a point in time when the obligation is completed;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Revenue and other income (Continued)

(h) for dividend income, it is recognised when the shareholders' right to receive payment has been established from unlisted investments, and the share price of the listed investments goes ex-dividend; and

(i) for realised gains and losses on financial assets measured at fair value through profit or loss, they are recognised on a trade date basis. For unrealised gains and losses on financial assets measured at fair value through profit or loss, they are recognised at the end of the reporting period on the changes in fair value. Fair value gain or loss does not include any dividend income and interest income from financial assets measured at fair value through profit or loss.

2.8 Finance cost

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

2.9 Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2.13).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (other than goodwill)

Intangible assets acquired separately or in a business combination

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses (see note 2.13).

Internally-developed intangible assets (Research and development expenditures)

Expenditures associated with research activities are expensed in profit or loss as they occur. Expenditures that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(a) demonstration of technical feasibility of the prospective product for internal use or sale;

(b) there is intention to complete the intangible asset and use or sell it;

(c) the Group's ability to use or sell the intangible asset is demonstrated;

(d) the intangible asset will generate probable economic benefits through internal use or sale;

(e) sufficient technical, financial and other resources are available for completion; and

(f) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include staff costs incurred on development activities along with an appropriate portion of relevant overheads. The expenditure of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets and are recognised initially at cost. After initial recognition, they are carried at cost less accumulated amortisation and impairment losses (see note 2.13), if any. Development expenditures not satisfying the above criteria are expensed when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (other than goodwill) (Continued)

Amortisation of intangible assets

Amortisation of intangible assets with finite useful lives is provided on straight-line method over the estimated useful lives. The estimated useful lives of intangible assets are as follows:

Development costs	3–5 years
Film rights	Over the license periods
Mobile phone and computer applications	5 years
Trading rights	10 years
Corporate membership	Indefinite life

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.

Intangible assets are not amortised where their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property and equipment

Property and equipment, including right-of-use assets arising from leases of underlying property and equipment, are carried at cost less any accumulated depreciation and impairment losses (see note 2.13), if any.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Buildings	60 years
Right-of-use assets	Over the lease terms
Leasehold improvements	10 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 10 years
Motor vehicle	5 years

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

The gain or loss arising on retirement or disposal of an item of property and equipment 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 on the date of retirement or disposal.

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.

2.12 Investment property

Investment property is property held for capital appreciation. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from changes in the fair value of investment property is included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in profit or loss in the period in which the property is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets

Goodwill arising on acquisition of a subsidiary and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired. Property and equipment and interests in associates and joint ventures are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, and value in use, if determinable.

An impairment loss recognised for goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

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

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

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.11 and 2.13), except for the right-of-use asset that meet the definition of investment property are carried at fair value in accordance with note 2.12.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and presents lease liabilities separately in the statement of financial position.

2.15 Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned. Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income; or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated as at fair value through profit or loss:

(a) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is reclassified to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss. The capital distribution from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost, is recognised in the investment revaluation reserve, which is not reclassified to profit or loss and is reclassified to retained profits represent a recovery of part of the cost of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets (see note 20). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss. If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Derivative financial instruments

Derivative financial instruments are recognised at fair value through profit or loss. At the end of each reporting period the fair value is remeasured. The change in fair value arising from the remeasurement is recognised immediately in profit or loss.

Offsetting

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

Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, bank balances held on behalf of clients, accounts receivable, other assets, deposits and other receivables, other loans, advances to customers for corporate actions, reverse repurchase agreements, unlisted debt securities measured at amortised cost).

Financial assets measured at fair value, including units in funds, equity and debt securities measured at fair value through profit or loss, equity securities designated at fair value through other comprehensive income (non-recycling) and derivative financial assets, are not subject to the ECLs assessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Credit losses and impairment of financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Impairment allowances for accounts receivable under HKFRS 15 are always measured at an amount equal to lifetime ECLs. For all other financial instruments, the Group recognises an impairment allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the impairment allowance is measured at an amount equal to lifetime ECLs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.15 Financial assets (Continued)

Significant increases in credit risk (Continued)

Basis of calculation of interest income using effective interest rate method

Interest income from financial assets measured at amortised cost recognised in accordance with note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less impairment allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes

Income taxes comprise current tax and movement in deferred tax.

Current income tax assets and/or liabilities comprise those claims from or obligations to taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

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 profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes (Continued)

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.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.15.

2.18 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.

2.19 Retirement benefit costs and short-term employee benefits

Retirement benefits

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and Mainland China, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme ("MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme expenses charged to profit or loss represent contributions payable by the Group to the schemes.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Retirement benefit costs and short-term employee benefits (Continued)

Retirement benefits (Continued)

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vested fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the period by the employees and carried forward.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based payments

The Group operates a share award scheme for remuneration of its employees and/or consultants.

All services received in exchange for the grant of any awarded shares are measured at their fair value. These are indirectly determined by reference to the fair value of awarded shares granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received are ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the awarded shares granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "Awarded share reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of awarded shares expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options and awarded shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of awarded shares expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to awarded share reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of awarded shares vested are debited to the "Awarded share reserve", and any difference will be transferred to retained profits. Where the shares held for Share Award Schemes are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained profits.

2.21 Financial liabilities

The Group's financial liabilities include obligations under repurchase agreements, bank and other borrowings, trade and other payables and notes payable. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for financing costs (see note 2.8 to the financial statements).

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as fair value through profit or loss if it is classified as held for trading or designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

A financial liability is derecognised when, and only when, the obligation under the financial liability is discharged or cancelled, or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities (Continued)

Obligations under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "Obligations under repurchase agreements" in the consolidated statement of financial position. Obligations under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Obligations under repurchase agreements are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, any difference between the initial amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Accounts payable and other payables

Accounts payable and other payables include accounts payable, accruals and other payables. They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which cases they are stated at cost.

Third party interests in consolidated investment funds

Third party interests in consolidated investment funds represents the interest redeemable by the other holders of investment funds where the Group has consolidated. The balance is a financial liability as discussed in Noted 4(b). The balance is initially recognised at fair value and subsequently remeasured to their fair value at the end of reporting period. The resulting gain or loss is recognised in profit or loss.

2.22 Warrants

The net proceeds received from the issue of warrants are recognised in warrants reserve within equity. Net proceeds received for warrants issued with notes are determined based on their relative fair value at the issue date. When the warrants are exercised, the amount recognised in warrants reserve will be transferred to share capital and share premium accounts. For warrants that are not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to retained profits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(a) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;

(b) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

(c) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services;

(d) the interest income segment engages in money lending services and interest income arising from debt instruments measured at amortised cost;

(e) the investments segment engages in investing and trading of various investment products; and

(f) the others segment represents financial media services and other insignificant operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Segment reporting (Continued)

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. No operating segments identified have been aggregated in arriving at the reportable segments of the Group.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(a) share of results of joint ventures and associate accounted for using the equity method;

(b) revaluation on investment property;

(c) income tax expense; and

(d) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiaries plus certain percentages.

Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the chief operating decision maker.

2.25 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 Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Group's parent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

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

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.

2.26 Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.7). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.15).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.7).

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following amendments to HKFRSs issued by HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on the Group's results and financial position for the current or prior accounting periods. The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies

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

(i) Provision for impairment loss of financial assets measured at amortised cost

In determining ECLs for financial assets measured at amortised cost, the most significant judgements relate to defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. Management reviews the provision on a regular basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies (Continued)

(ii) Impairment loss of non-financial assets

At each reporting date, goodwill are tested for impairment. The Group also reviews internal and external sources of information to identify indications that any of the property and equipment, other intangible assets (including development costs), interests in joint ventures and associates may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The sources utilised to identify indications of impairment are often subjective in nature and the directors of the Group are required to use judgement in applying such information to its business. Their interpretation of such information has a direct impact on whether an impairment assessment is performed as at any given reporting date.

Determining whether an asset or a CGU is impaired requires an estimation of their recoverable amount. Depending on the assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessment utilising internal resources or may engage external advisers in making this assessment. Regardless of the resources utilised, the Group is required to make assumptions in this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of these assets.

(iii) Fair value of financial assets in unlisted debt and equity instruments and fund investments

The investments in unlisted debt and equity instruments and fund investments that are accounted for as "financial assets measured at fair value through other comprehensive income" and "financial assets measured at fair value through profit or loss" are stated at fair value. The fair value of these financial assets is determined by using valuation techniques. Specific valuation techniques used to value these financial assets included value as reported by the fund administrators or other techniques, such as discounted cash flow analysis. The assumptions and discount rates used to prepare the cash flow analysis involve significant estimates and judgements and hence the fair value of these financial assets is subject to uncertainty. As at 31 December 2021, the carrying amount of the Group's investments in unlisted debt and equity instruments and fund investments was approximately HK$Nil (31 December 2020: HK$699,754,000), HK$456,005,000 (31 December 2020: HK$435,772,000) and HK$257,095,000 (31 December 2020: 204,106,000), respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies (Continued)

(iv) Business combination

On 3 and 6 December 2021, the Group entered into two sale and purchase agreements to acquire 27% and 26.76% of equity interest in the existing joint venture, Suzhou Gaohua Venture Investment Management Ltd and Suzhou QUAM-SND Venture Capital Enterprise Management Ltd. for a total cash consideration of HK$15,453,000. The Group's interests increased to 100% after the acquisition and Suzhou Gaohua Venture Investment Management Ltd and Suzhou QUAM-SND Venture Capital Enterprise Management Ltd. became subsidiaries of the Group.

The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value. The Group recognised goodwill of HK$647,000, details of which is set out in note 28 to the financial statements.

(b) Critical judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the directors are required to make judgements, apart from those involving estimates. The judgements that have been made and can significantly affect the amounts recognised in the financial statements are discussed below:

Determination of control over an investment fund

The Group invested in certain investment funds with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests in these investment funds held by the Group are in the form of participating shares or interests which primarily provide the Group with the share of returns from the investment funds and underlying net assets.

These investment funds are managed by respective investment manager who has the power and authority to manage the investment funds and make investment decisions. Among those investment funds held by the Group where the Group acted as an investment manager, the Group regularly assesses and determines whether:

— the Group is acting as an agent or a principal to these investment funds;

— substantive removal rights held by other parties may remove the Group from acting as an investment manager; and

— the investment held together with its remuneration from managing these investment funds create significant exposure to variability of returns in these investment funds.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgement in applying the Group's accounting policies (Continued)

Determination of control over an investment fund (Continued)

When the Group assesses that the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that indicates the Group is a principal, the Group had consolidated these investment funds. The Group classifies the financial instrument as financial liability and equity in accordance with the substance of the contractual terms. With redeemability, the fund holders have the right to put their attributable shares back to the fund for cash. Puttable financial instrument is a financial liability. Third-party interests in consolidated investment funds are thus categorised as financial liability and included in "Accruals and other payables". Changes in net assets attributable to other holders of consolidated investment fund are included in "Other income/(loss)" in the consolidated statement of profit or loss and other comprehensive income. The carrying amount included in "Accruals and other payables" as at 31 December 2021 is HK$27,958,000 (31 December 2020: HK$33,251,000).

When the variable returns of these investment funds to the Group are not significant or the Group is subject to substantive removal rights held by other parties who may remove the Group as an investment manager, the Group did not consolidate these investment funds and classified them as "Financial assets measured at fair value through profit or loss" in accordance with the Group's accounting policies. Further details in respect of those investment funds in which the Group had an interest are disclosed in note 18 to these financial statements.

5 REVENUE

(a) Revenue analysis

	2021 HK$'000	2020 HK$'000
Corporate finance business		
Fee and commission income:		
— Placing and underwriting commission income	**11,010**	7,775
— Financial and compliance advisory services fee income	**15,277**	6,631
	26,287	14,406
Asset management business		
Fee and commission income:		
— Management fee income	**17,265**	15,268
— Performance fee income	**18,113**	26,412
	35,378	41,680
Brokerage business		
Fee and commission income:		
— Commission on dealings in securities		
— Hong Kong securities	**62,060**	67,410
— Other than Hong Kong securities	**6,245**	7,221
— Commission on dealings in futures and options contracts	**49,533**	73,528
— Handling, custodian and other service fee income	**21,582**	21,887
	139,420	170,046
Interest income business		
Interest income calculated using the effective interest method:		
— Interest income from other loans	**363,875**	368,079
— Interest income from cash clients receivables	**2,992**	1,709
— Interest income from trust bank deposits	**2,696**	11,521
— Interest income from initial public offering ("IPO") loans	**1,393**	2,970
— Interest income from house money bank deposits and others	**69,120**	40,273
Interest income calculated using other method:		
— Interest income from loans to margin clients	**145,717**	159,152
— Interest income from bonds measured at fair value through profit or loss and others	**27,362**	83,254
	613,155	666,958
Investments and others business		
Fee and commission income:		
— Financial media service fee income	**9,599**	8,110
Net investment gain/(loss):		
— Net realised loss on financial assets measured at amortised cost	**—**	(394)
— Net realised and unrealised gain on financial assets measured at fair value through profit or loss	**9,989**	185,107
— Dividend income from financial assets measured at fair value through profit or loss	**23,994**	18,702
	43,582	211,525
Total revenue	**857,822**	1,104,615

5 REVENUE (CONTINUED)

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts with customers and did not disclose information about the remaining performance obligations under the contracts that had an original expected duration of one year or less.

6 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Changes in net asset value attributable to other holders of consolidated investment funds (note 16(b))	**4,526**	(1,386)
Exchange gains, net	**8,280**	4,660
Loss on revaluation of investment property (note 30)	**—**	(2,100)
Government subsidies (note (i))	**825**	12,985
Sundry income	**1,479**	1,743
	15,110	15,902

Note:

(i) In 2021, the Group successfully obtained funding support from subsidies scheme and programme under Anti-epidemic Fund set up by the Hong Kong SAR Government. In 2020, the Group successfully applied funding support from the Employment Support Scheme (E.S.S.) under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the E.S.S., the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7 SEGMENT INFORMATION

The executive directors have identified the Group's six service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Corporate finance HK$'000	Asset management HK$'000	Brokerage HK$'000	Interest income HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2021							
Reportable segment revenue							
Fee and commission income	26,287	35,378	139,420	—	—	9,599	210,684
Interest income	—	—	152,925	435,790	24,440	—	613,155
Net investment gain	—	—	—	—	33,983	—	33,983
Segment revenue from external customers	26,287	35,378	292,345	435,790	58,423	9,599	857,822
Inter-segment revenue	1,300	3,690	2,032	—	—	1,594	8,616
Reportable segment revenue	27,587	39,068	294,377	435,790	58,423	11,193	866,438
Fee and commission income by timing of revenue recognition:							
Point in time	11,010	18,113	139,420	—	—	1,839	170,382
Over time	15,277	17,265	—	—	—	7,760	40,302
Fee and commission income	26,287	35,378	139,420	—	—	9,599	210,684
Reportable segment result	(6,860)	21,003	18,536	(2,230,911)	10,016	(6,246)	(2,194,462)
Depreciation and amortisation	173	721	25,924	5,157	12,444	1,388	45,807
Changes in net assets value attributable to other holders of consolidated investment funds	—	—	—	—	4,526	—	4,526
Finance costs	—	29	12,168	41,796	8,428	21	62,442
ECL net charges	(206)	(1)	12,405	2,571,610	(1,217)	13	2,582,604

7 SEGMENT INFORMATION (CONTINUED)

	Corporate finance HK$'000	Asset management HK$'000	Brokerage HK$'000	Interest income HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2020 (Restated)							
Reportable segment revenue							
Fee and commission income	14,406	41,680	170,046	—	—	8,110	234,242
Interest income	—	—	216,428	368,087	82,443	—	666,958
Net investment gain	—	—	—	—	203,415	—	203,415
Segment revenue from external customers	14,406	41,680	386,474	368,087	285,858	8,110	1,104,615
Inter-segment revenue	1,430	3,588	10	—	—	1,186	6,214
Reportable segment revenue	15,836	45,268	386,484	368,087	285,858	9,296	1,110,829
Fee and commission income by timing of revenue recognition:							
Point in time	7,775	26,412	170,046	—	—	2,069	206,302
Over time	6,631	15,268	—	—	—	6,041	27,940
Fee and commission income	14,406	41,680	170,046	—	—	8,110	234,242
Reportable segment result	(13,420)	10,083	25,974	(90,595)	194,304	(2,965)	123,381
Depreciation and amortisation	193	813	38,040	—	8,654	543	48,243
Changes in net assets value attributable to other holders of consolidated investment funds	—	—	—	—	(1,386)	—	(1,386)
Finance costs	—	50	27,857	60,676	21,241	—	109,824
ECL net charges	1,263	394	4,418	366,476	—	76	372,627

7 SEGMENT INFORMATION (CONTINUED)

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 revenue	866,438	1,110,829
Elimination of inter-segment revenue	(8,616)	(6,214)
Consolidated revenue	857,822	1,104,615
Reportable segment result	(2,194,462)	123,381
Loss on revaluation of investment property	—	(2,100)
Share of result of an associate	526	(206)
Share of results of joint ventures	1,552	(1,873)
Unallocated corporate expenses	(6,800)	(6,082)
Consolidated (loss)/profit before tax	(2,199,184)	113,120

Geographical information

The Group's operations are substantially located in Hong Kong and substantiating all assets of the Group are located in Hong Kong. Therefore, no detailed analysis of geographical information is required.

The Group's customers include the following with whom transactions have exceeded 10% of the Groups' revenue:

	2021 HK$'000	2020 HK$'000
Oceanwide Holdings International Development III Co., Ltd*	160,822	145,623

* Revenue from this customer, a connected party to our Company, is attributable to interest income segment.

8 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	41,015	67,028
Interest on private notes	18,678	38,666
Interest on obligations under repurchase agreements	24	19
Interest on lease liabilities	2,725	4,111
	62,442	109,824

9 STAFF COSTS

	2021 HK$'000	2020 HK$'000
Directors' emoluments (note 15)		
— Fees, salaries, allowances and benefits in kind	**9,110**	9,747
— Discretionary bonuses	**3,190**	5,625
— Retirement benefits scheme contributions	**—**	15
	12,300	15,387
Other staff costs		
— Salaries, allowances and bonuses	**162,771**	229,001
— Employee sales commission	**4,953**	5,810
— Retirement benefits scheme contributions	**5,506**	4,519
— Other staff benefits	**648**	498
	173,878	239,828
	186,178	255,215

10 (LOSS)/PROFIT BEFORE TAX

	Notes	2021 HK$'000	2020 HK$'000
(Loss)/profit before tax is arrived at after charging:			
Depreciation and amortisation			
— Other intangible assets	28	**2,257**	1,823
— Property and equipment	30	**43,550**	46,420
		45,807	48,243
Other items			
— Net losses on disposals of property and equipment		**—**	60
— Expenses relating to short-term leases (note 16(c))		**93**	442
— Direct operating expenses related to investment property		**—**	24

11 OTHER OPERATING EXPENSES

	2021 HK$'000	2020 HK$'000
Advertising and promotion expenses	**5,818**	7,490
Auditors' remuneration	**4,300**	3,880
Bank charges	**2,014**	2,179
Entertainments	**1,497**	1,079
General office expenses	**5,622**	5,236
Insurance	**2,943**	3,166
Legal and professional fee	**15,692**	13,147
Short-term leases, rates and building management fee	**4,707**	7,946
Repairs and maintenance	**6,824**	3,268
Staff recruitment cost	**675**	1,304
Travelling and transportation expenses	**1,039**	1,388
Others	**4,194**	3,579
	55,325	53,662

12 TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 HK$'000	2020 HK$'000
Current tax — Hong Kong Profits Tax		
— Current year	**14,014**	29,085
— Over provision in prior years	**(2,746)**	(20,215)
	11,268	8,870
Deferred tax (note 36)	**50,125**	1,000
Total tax expense	**61,393**	9,870

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 December 2021, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

12 TAX EXPENSE (CONTINUED)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

Taxation for subsidiaries operating in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2021 HK$'000	2020 HK$'000
(Loss)/profit before tax	**(2,199,184)**	113,120
Notional tax at Hong Kong Profits Tax rate of 8.25% on the first HK$2 million profit	**165**	165
Notional tax at Hong Kong Profits Tax rate of 16.5% on remaining (loss)/profit	**(363,195)**	18,335
Effect of different tax rates of subsidiaries operating in other jurisdictions	**524**	(5)
Tax effect of non-deductible expenses	**11,027**	5,178
Tax effect of non-taxable income	**(7,002)**	(22,949)
Tax effect of unused tax losses not recognised as deferred tax assets	**4,380**	9,484
Tax effect of prior years' unrecognised tax losses utilised this year	**(2,089)**	(1,325)
Tax effect of prior years' unrecognised tax losses recognised as deferred tax assets	**(4,949)**	(57)
Tax effect of temporary differences not recognised as deferred tax assets	**425,278**	21,259
Over provision in prior years	**(2,746)**	(20,215)
Total tax expense	**61,393**	9,870

13 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to equity holders of the Company is based on the followings:

(Loss)/Earnings

	2021 HK$'000	2020 HK$'000
For purpose of basic and diluted (loss)/earnings per share	**(2,260,577)**	103,250

Weighted average number of ordinary shares in issue less shares held for Share Award Scheme

	2021	2020
For purpose of basic and diluted (loss)/earnings per share	**6,145,877,218**	6,145,877,218

(Loss)/Earnings per share for net (loss)/profit attributable to equity holders of the Company for the year

	2021 HK cents	2020 HK cents
Basic and diluted	**(36.782)**	1.680

14 DIVIDENDS

Dividends payable to equity holders of the Company attributable to the year

	2021 HK$'000	2020 HK$'000
Final dividend proposed after the end of the reporting period (2020: HK0.5 cent per ordinary share)	**—**	30,985

The Board resolved not to declare the payment of a final dividend for the year ended 31 December 2021.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

15 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2021					
Executive Directors					
Mr. HAN Xiaosheng	—	—	—	—	—
Mr. FANG Zhou (note (i))	2,660	—	—	—	2,660
Mr. LIU Hongwei	—	—	—	—	—
Mr. Kenneth LAM Kin Hing	—	5,200	3,190	—	8,390
Mr. ZHANG Xifang (note (ii))	—	—	—	—	—
Non-executive Directors					
Mr. LIU Bing	—	—	—	—	—
Mr. ZHAO Yingwei	—	—	—	—	—
Mr. ZHAO Xiaoxia	—	—	—	—	—
Independent Non-executive Directors					
Mr. Roy LO Wa Kei	250	—	—	—	250
Mr. KONG Aiguo	250	—	—	—	250
Mr. LIU Jipeng	250	—	—	—	250
Mr. HE Xuehui	250	—	—	—	250
Mr. HUANG Yajun	250	—	—	—	250
	3,910	5,200	3,190	—	12,300

15 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Directors' emoluments (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2020					
Executive Directors					
Mr. HAN Xiaosheng	—	—	—	—	—
Mr. FANG Zhou (note (i))	400	—	—	—	400
Mr. LIU Hongwei	—	—	—	—	—
Mr. Kenneth LAM Kin Hing	—	5,508	5,625	—	11,133
Mr. ZHANG Xifang (note (ii))	—	—	—	—	—
Mr. ZHANG Bo (note (iii))	—	2,350	—	15	2,365
Mr. FENG Henian (note (iv))	—	—	—	—	—
Non-executive Directors					
Mr. LIU Bing	—	—	—	—	—
Mr. ZHAO Yingwei	—	—	—	—	—
Mr. ZHAO Xiaoxia	—	—	—	—	—
Mr. Bernard POULIOT (note (v))	93	146	—	—	239
Independent Non-executive Directors					
Mr. Roy LO Wa Kei	250	—	—	—	250
Mr. KONG Aiguo	250	—	—	—	250
Mr. LIU Jipeng	250	—	—	—	250
Mr. HE Xuehui	250	—	—	—	250
Mr. HUANG Yajun	250	—	—	—	250
	1,743	8,004	5,625	15	15,387

Notes:

(i) appointed as an executive director with effect from 16 October 2020.

(ii) resigned as an executive director with effect from 3 September 2021.

(iii) resigned as an executive director with effect from 23 November 2020.

(iv) resigned as an executive director with effect from 16 December 2020.

(v) retired as a non-executive director with effect from 26 June 2020.

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. 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.

15 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 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 ended 31 December 2021 are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and allowances	**14,702**	14,201
Discretionary bonuses	**7,655**	12,685
Retirement benefits scheme contributions	**72**	72
	22,429	26,958

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

	Number of individuals	
	2021	2020
HK$4,000,001 — HK$4,500,000	**2**	—
HK$4,500,001 — HK$5,000,000	**—**	1
HK$5,000,001 — HK$5,500,000	**—**	1
HK$5,500,001 — HK$6,000,000	**—**	—
HK$6,000,001 — HK$6,500,000	**1**	—
HK$7,500,001 — HK$8,000,000	**1**	1
HK$9,000,001 — HK$9,500,000	**—**	1
	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.

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Demand deposits and cash on hand	**405,290**	214,461

Notes:

(a) Demand deposits earn interest at floating rates based on daily bank deposit rates.

(b) Included in cash and cash equivalents of the Group is RMB of HK$53,975,000 (31 December 2020: HK$9,023,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

(c) As at 31 December 2021, HK$1,934,000 (31 December 2020: HK$58,909,000) of cash and cash equivalents were placed with a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company.

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Third party interests in consolidated investment funds HK$'000 Note 4(b)	Obligations under repurchase agreements HK$'000 Note 32	Bank and other borrowings HK$'000 Note 33	Lease liabilities HK$'000 Note 35
At 1 January 2021	33,251	1,965	1,872,838	80,010
Changes from financing cash flows				
— Interest paid for other borrowings and private notes	—	—	(28,841)	—
— Interest paid for bank borrowings	—	—	(52,721)	—
— Interest paid for obligations under repurchase agreements	—	(33)	—	—
— Payments on redemption of shares by other holders of consolidated investment funds	(765)	—	—	—
— Net proceeds from obligations under repurchase agreements	—	(1,956)	—	—
— Capital element of lease rentals paid	—	—	—	(35,827)
— Interest element of lease rentals paid	—	—	—	(2,725)
— Net repayments from other borrowings and private notes	—	—	(44,000)	—
— Net repayment of bank borrowings	—	—	(304,115)	—
	(765)	(1,989)	(429,677)	(38,552)
Non-cash changes				
— Changes in net asset value attributable to other holders of consolidated investment funds (note 6)	(4,526)	—	—	—
— Increase in lease liabilities from entering into new leases during the year	—	—	—	3,268
— Interest on lease liabilities (note 8)	—	—	—	2,725
— Interest on obligations under repurchase agreements (note 8)	—	24	—	—
— Interest on other borrowings and private notes (note 8)	—	—	18,678	—
— Interest on bank borrowings (note 8)	—	—	41,015	—
— Exchange adjustment	(2)	—	—	—
	(4,528)	24	59,693	5,993
At 31 December 2021	27,958	—	1,502,854	47,451

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Third party interests in consolidated investment funds HK$'000 Note 4(b)	Obligations under repurchase agreements HK$'000 Note 32	Bank and other borrowings HK$'000 Note 33	Lease liabilities HK$'000 Note 35
At 1 January 2020	43,236	—	2,037,029	90,268
Changes from financing cash flows				
— Interest paid for private notes	—	—	(26,301)	—
— Interest paid for bank borrowings	—	—	(78,495)	—
— Interest paid for obligations under repurchase agreements	—	(10)	—	—
— Payments on redemption of shares by other holders of consolidated investment funds	(12,203)	—	—	—
— Net proceeds from obligations under repurchase agreements	—	1,956	—	—
— Capital element of lease rentals paid	—	—	—	(35,216)
— Interest element of lease rentals paid	—	—	—	(4,111)
— Net proceeds from private notes	—	—	147,000	—
— Net repayment of bank borrowings	—	—	(312,089)	—
	(12,203)	1,946	(269,885)	(39,327)
Non-cash changes				
— Changes in net asset value attributable to other holders of consolidated investment funds (note 6)	1,386	—	—	—
— Increase in lease liabilities from entering into new leases during the year	—	—	—	24,958
— Interest on lease liabilities (note 8)	—	—	—	4,111
— Interest on obligations under repurchase agreements (note 8)	—	19	—	—
— Interest on private notes (note 8)	—	—	38,666	—
— Interest on bank borrowings (note 8)	—	—	67,028	—
— Exchange adjustment	832	—	—	—
	2,218	19	105,694	29,069
At 31 December 2020	33,251	1,965	1,872,838	80,010

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows (note 10)	93	442
Within financing cash flows	38,552	39,327
	38,645	39,769

(d) Net cash inflow arising from the acquisition of subsidiaries

The recognized amounts of assets acquired and liabilities at the date of acquisition of the subsidiaries comprise the following:

	HK$000
Property and equipment	4
Interest in joint venture	805
Cash and cash equivalents	56,933
Prepayments, deposits and other receivables	5,369
Accruals and other payables	(5,587)
Carrying amount of interest in joint ventures prior to becoming subsidiaries on acquisition	(42,718)
	14,806
Add: goodwill (note 28)	647
Total consideration paid in cash	15,453
Less: cash of subsidiary acquired	(56,933)
Net cash inflow of cash and cash equivalents arising from the acquisition of subsidiaries	(41,480)

17 BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities, futures and options dealing, it receives and holds money deposited by clients in the course of conducting its regulated activities. These client's monies are maintained in one or more segregated bank accounts and bank time deposits. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2021, HK$86,046,000 (31 December 2020: HK$120,030,000) of trust bank balances held on behalf of clients were placed with a bank in which the ultimate controlling shareholder of the Company is also a director of the parent company of that bank.

18 FINANCIAL ASSETS HELD FOR TRADING

	Notes	**As at 31 December 2021 HK$'000**	As at 31 December 2020 HK$'000
Financial assets held for trading measured at fair value through profit or loss			
Listed debt securities		**—**	11,358
Listed equity securities		**400,204**	726,267
Unlisted debt securities	(a)	**—**	699,754
Unlisted equity securities	(b)	**451,795**	427,722
Unlisted mutual funds	(c)	**7,125**	9,238
Private equity funds	(d)	**249,970**	194,868
		1,109,094	2,069,207
Analysis of the net amount into current and non-current portions:			
Current		**1,026,012**	1,956,168
Non-current		**83,082**	113,039
		1,109,094	2,069,207

Notes:

(a) As at 31 December 2020, unlisted debt securities of HK$667,350,000, were issued by a fellow subsidiary. The unlisted debt securities matured in April 2021.

(b) The Group had entered into agreements for subscription of shares in two private entities in December 2017. Under the agreements, the Group subscribed 3,529,411 ordinary shares and 4,000,000 ordinary shares of the respective entities for a total consideration of approximately US$60,000,000. Upon the completion of these shares subscriptions in January 2018, the Group's interests in each of these entities are less than 1% respectively. One of the entities was listed during the year ended 31 December 2019 and disposed during the year ended 31 December 2021. As at 31 December 2021, the fair value of the unlisted equity securities was HK$451,795,000 (2020: HK$403,177,000) and were pledged for a secured bank borrowings (note 33(d)).

18 FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Notes: (Continued)

(c) Pursuant to the subscription agreement, the Group's interest in the above mutual fund is in the form of redeemable shares, which is puttable at the holder's option and entitles the Group to a proportionate stake in the fund's net assets. The mutual fund is managed by an investment manager who is empowered to manage its daily operations and apply various investment strategies to accomplish its investment objectives.

The Group served as an investment manager for the above mutual fund and generated management and performance fee income from managing assets on behalf of investors.

Total net asset value of the above mutual fund of which the Group is the investment manager as at 31 December 2021 was HK$75,296,000 (2020: HK$103,085,000). The Group's maximum exposure to loss from its interest in the mutual fund is limited to the carrying amount presented above. Change in fair value of the mutual fund is included in the consolidated statement of profit or loss in "Net realised and unrealised gain/(loss) on financial assets measured at fair value through profit or loss" within "Revenue" and the amount attributable to this mutual fund of which the Group is the investment manager represented a loss of HK$2,114,000 (2020: a gain of HK$801,000).

(d) The Group had committed to invest US$20 million in Oceanwide Pioneer Limited Partnership (the "Fund"), representing 25%* (2020: 25%*) of the aggregated capital committed by all partners in the Fund as at 31 December 2021. Following the acceptance of the subscription agreement by the general partner, the Group was admitted as a limited partner.

The Fund is a close-ended private equity fund structured as a Cayman Islands exempted limited partnership with an investment objective to achieve long-term capital appreciation through equity and equity-related investments in selected good-quality enterprises and projects as pioneers in the relevant industries. Under the subscription agreement, the limited partners do not have the power to participate in the financial and operating policy decisions of the Fund, whilst the general partner has the rights and power to administer the affairs of the Fund and include all powers statutory and otherwise, which may be possessed under the laws of Cayman Islands. Though the Group had served as an investment manager and generated management fee income from managing assets on behalf of investors, as the Group as an investment manager can be terminated without cause by the general partner, and the Group did not have any control or significant influence over the general partner, the Group did not consolidate or account for the Fund as an associate despite its equity interest of 25%* (2020: 25%*).

The Fund is controlled by the general partner, which is indirectly owned by the ultimate controlling shareholder of the Group.

Total net asset value of the above private equity fund of which the Group is the investment manager as at 31 December 2021 was HK$333,013,000 (2020: HK$452,844,000). The Group's maximum exposure to loss from its interest in the private equity fund is limited to the carrying amount presented above. As at 31 December 2021, the fair value of the Fund was HK$83,082,000 (2020: HK$113,039,000). Change in fair value of the private equity fund is included in the consolidated statement of profit or loss in "Net realised and unrealised gain/(loss) on financial assets measured at fair value through profit or loss" within "Revenue" and the amount attributable to the private equity fund of which the Group is the investment manager represented loss of HK$24,884,000 (2020: gain of HK$63,815,000).

* rounded to the nearest one percent

19 FINANCIAL ASSETS NOT HELD FOR TRADING

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Financial assets measured at amortised cost			
Unlisted debt securities	(a), (d)	872,974	127,805
Less: ECL provisions	(c)	(605,362)	(10,311)
		267,612	117,494
Financial assets measured at fair value through other comprehensive income			
Unlisted equity securities	(b)	4,210	8,050
		271,822	125,544
Analysis of the net amount into current and non-current portions:			
Current		267,612	117,494
Non-current		4,210	8,050
		271,822	125,544

Notes:

(a) Unlisted debt securities of HK$869,415,000 (2020: HK$99,178,000) were issued by fellow subsidiaries and carry interest at 11.8% (2020: 11.5%) per annum with HK$769,425,000 due in April 2022 and HK$99,990,000 due in June 2022. The carrying amount (net of ECL provision) of the securities was HK$ 267,612,000 (2020: HK$ 92,670,000).

19 FINANCIAL ASSETS NOT HELD FOR TRADING (CONTINUED)

Notes: (Continued)

(b) Movement of unlisted equity securities is as follows:

	McMillen Advantage Capital Limited ("MAC") (note (i)) HK$'000	Capital Financial Holding Ltd. ("CFH") HK$'000	Total HK$'000
At 1 January 2020	1,513	4,560	6,073
Fair value changes recognised in other comprehensive income	(147)	2,124	1,977
At 31 December 2020 and 1 January 2021	**1,366**	**6,684**	**8,050**
Fair value changes recognised in other comprehensive income	**(1,366)**	**(2,474)**	**(3,840)**
At 31 December 2021	**—**	**4,210**	**4,210**

Notes:

(i) The Group had not accounted for MAC as an associate despite its ownership interest because the Group does not have any power to participate in its financial and operating policy decisions nor any right to appoint a director of MAC.

(ii) The above financial assets are unlisted equity securities which are not held for trading. Instead, they are held for medium or long-term strategic purpose. The Group has designated these investments in equity securities as at fair value through other comprehensive income as the directors believe that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in profit or loss.

(c) Movement in the ECL provisions of financial assets measured at amortised cost is as follows:

	HK$'000
At 1 January 2020	106,043
ECL charges	4,253
Written-off	(99,985)
At 31 December 2020 and 1 January 2021	**10,311**
ECL charges	**587,405**
Unwind of discount	**7,646**
At 31 December 2021	**605,362**

(d) During the year ended 31 December 2020, HK$394,000 was recognised as realised loss arising from disposal of financial assets measured at amortised cost.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Financial assets measured at fair value through profit or loss			
Total return swap	(a)	17,267	31,739
Unlisted option		—	63,160
		17,267	94,899

Note:

(a) Total return swap of HK$17,267,000 (2020: HK$31,739,000) was entered into with a fellow subsidiary in June 2019.

21 LOANS TO MARGIN CLIENTS

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Loans to margin clients		
— Measured at fair value through profit or loss	1,382,977	1,371,861

Note:

Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a comprehensive analysis including but not limited to loan-to-market and loan-to-marginable value ratios ("lending ratios"), concentration risk, illiquid collaterals and overall availability of funds. The Group exercises continuous monitoring on outstanding margin loans to see if the actual lending ratios have exceeded the pre-determined levels as a credit risk control mechanism. Any excess in the lending ratios will trigger a margin call where the clients have to make good the shortfall. As at 31 December 2021, the market value of securities pledged by margin clients to the Group as collateral was HK$9,570,398,000 (31 December 2020: HK$8,701,907,000) and the Group is permitted to sell collaterals provided by clients if they fail to fulfil margin calls. Loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread). As at 31 December 2021, the margin loan shortfall in accounting terms amounts to HK$118,613,000 (2020: HK$74,757,000).

22 ADVANCES TO CUSTOMERS FOR CORPORATE ACTIONS

	Note	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Financial assets measured at amortised cost		**226,759**	202,177
Less: ECL provisions	(a)	**(37,451)**	(12,729)
		189,308	189,448
Analysis of the net amount into current and non-current portions:			
Current		**189,308**	189,448

Note:

(a) Movement in the ECL provisions of financial assets measured at amortised cost is as follows:

	HK$'000
At 1 January 2020	6,128
ECL charges	6,601
At 31 December 2020 and 1 January 2021	**12,729**
ECL charges	**24,722**
At 31 December 2021	**37,451**

23 OTHER LOANS

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Other loans			
— Unsecured	(a)	**3,773,694**	3,295,230
— Secured	(a), (b)	**263,867**	562,285
		4,037,561	3,857,515
Less: ECL provisions	(d)	**(2,439,503)**	(518,615)
	(a), (c)	**1,598,058**	3,338,900
Analysis of the net amount into current and non-current portions:			
Current		**1,517,018**	3,190,070
Non-current		**81,040**	148,830
		1,598,058	3,338,900

Notes:

(a) The loans bear interest at fixed rates ranging from 6% to 12.0% (31 December 2020: 6.5% to 15%) per annum. The carrying amount (net of ECL provision) of unsecured loan of HK$728,556,000 (31 December 2020: HK$1,890,260,000) are due from fellow subsidiaries of our ultimate beneficiary shareholder.

(b) As at 31 December 2021 and 2020, the collaterals held by the Group for the secured loans mainly include shares of listed companies, shares and assets of private companies.

(c) Out of the net balance of other loans of HK$1,190,173,000 as at 31 December 2021 remained unsettled as of the date the annual report was approved by the Board of directors. Out of which, HK$655,326,000 was due from related parties of the Group and the remaining balance of HK$534,847,000 was due from third parties borrowers. The loan agreements of these balances were matured and the Group is in the process of negotiations with the borrowers for renewals or settlement arrangements.

(d) Movement in the ECL provisions of other loans is as follows:

	HK$'000
At 1 January 2020	165,799
ECL charges	354,169
Written-off	(1,353)
At 31 December 2020 and 1 January 2021	**518,615**
ECL charges	**1,959,483**
Written-off	**(58,326)**
Unwind of discount	**19,731**
At 31 December 2021	**2,439,503**

24 REVERSE REPURCHASE AGREEMENTS

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Analysed by collateral type:		
— Bonds	**2,062**	164,762
Less: ECL provisions	**(12)**	(913)
	2,050	163,849

Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 31 December 2021, the fair value of the collaterals was HK$4,865,000 (31 December 2020: HK$245,386,000).

25 ACCOUNTS RECEIVABLE

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Accounts receivable from dealings in securities, futures and options contracts			
— Brokers and clearing houses	(a)	**424,867**	513,742
— Cash clients	(a)	**22,094**	15,580
— Clients for IPO subscription	(a)	**—**	7,515
Less: ECL provisions	(c)	**(10,229)**	(8,794)
		436,732	528,043
Accounts receivable from asset management, corporate finance and other businesses			
— Clients	(a)	**22,689**	27,120
Less: ECL provisions	(c)	**(5,256)**	(9,938)
		17,433	17,182
Accounts receivable, net	(b), (d)	**454,165**	545,225

Notes:

(a) Amounts due from brokers, clearing houses and cash clients for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) and the amounts due from clients for IPO subscription are required to be settled upon the allotment of the securities subscribed. Amounts due from brokers and clearing houses for the dealings in futures and options contracts are repayable on demand (except for the required margin deposits for the trading of futures and options contracts). There are no credit periods granted to clients for its asset management, corporate finance and other businesses. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a higher spread than that of margin client). The amounts due from clients for IPO subscription as at 31 December 2020 bear interest at around 4.5% per annum.

(b) Included in accounts receivable is the following amounts with related parties:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Director of the Company	**15**	19
Fellow subsidiaries	**1**	370
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company	**250**	250
	266	639

25 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

(c) Movement in the ECL provisions of accounts receivable is as follows:

	HK$'000
At 1 January 2020	14,560
ECL charges	4,193
Written-off	(21)
At 31 December 2020 and 1 January 2021	**18,732**
ECL charges	**1,252**
Written-off	**(4,499)**
At 31 December 2021	**15,485**

(d) Ageing analysis of accounts receivable based on due date and net of ECL provisions is as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Current (not past due)	**6,103**	10,426
1–30 days	**428,530**	533,043
31–90 days	**7,233**	951
Over 90 days	**12,299**	805
Accounts receivable, net	**454,165**	545,225

26 INTEREST IN AN ASSOCIATE

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Share of net assets	**2,430**	1,904

Particulars of an associate, which is accounted for using the equity method in the consolidated financial statements, as at 31 December 2021 are as follows:

Name	Place of incorporation	Particulars of paid-up capital	Percentage of effective interest held by the Group*	Principal activity
Iddy Financial Technologies Limited	Hong Kong	10,522 ordinary shares	23%*	Provision of IT software services

The following table illustrates the financial information of the Group's associate, extracted from their unaudited management accounts and reconciliation to the carrying amount recognised in the consolidated statement of financial position:

	2021 HK$'000	2020 HK$'000
Revenue, excluding other revenue	**3,545**	3,901
Other revenue	**—**	4
Other operating expenses	**(6,338)**	(5,106)
Loss from continuing operations and total comprehensive income for the year	**(2,793)**	(1,201)

* rounded to the nearest one percent

26 INTEREST IN AN ASSOCIATE (CONTINUED)

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Current assets	**8,602**	3,883
Non-current assets	**376**	354
Current liabilities	**(5,458)**	(2,653)
Non-current liabilities	**—**	—
Net assets	**3,520**	1,584
Percentage of effective interests held by the Group*	**23%**	17%
Group's share of net assets of an associate	**799**	273
Goodwill	**1,631**	1,631
Carrying amount recognised in the consolidated statement of financial position	**2,430**	1,904

No dividend was received from an associate during the current year and previous year. The above associate also did not have any financial liabilities other than account and other payables as at 31 December 2021 and 31 December 2020 and did not incur any interest and tax expenses for the current year.

* rounded to the nearest one percent

27 INTERESTS IN JOINT VENTURES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Share of net assets	—	39,118

On 3 and 6 December 2021, the Group entered into two sale and purchase agreements to acquire 27% and 26.76% of equity interest of SGVIM and SQVCE for a total cash consideration of HK$15,453,000. The Group's interests increased to 100% after acquisition and SGVIM and SQVCE became the subsidiaries of the Group. Details of total cashflow for acquisition of a subsidiary are set out in the Company's consolidated cash flow statement and note 16(d).

Particulars of the joint ventures, which are accounted for using the equity method in the consolidated financial statements, as at 31 December 2020 are as follows:

Name	**Place of incorporation**	**Particulars of paid-up capital**	**Percentage of effective interests held by the Group***	**Principal activity**
Suzhou Gaohua Venture Investment Management Ltd. ("SGVIM")	PRC	Renminbi ("RMB") 7,000,000	73%*	Financial advisory consultancy
Suzhou QUAM-SND Venture Capital Enterprise ("SQVCE")	PRC	RMB71,000,000	73%*	Financial advisory consultancy

SGVIM and SQVCE were established by the Group with another investor in 2009 and 2010 respectively to expand the Group in RMB-dedicated private equity ventures. Both entities are unlisted corporate entity whose quoted market price is not available. These entities were classified as joint ventures of the Group as at 31 December 2020 because the Group did not have control over the significant financial and operating policies of the above entities despite its 73%* ownership interest, as unanimous consent with the minority equity holders was required for any major financial and operating decisions.

* rounded to the nearest one percent

27 INTERESTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the financial information of the Group's joint ventures, extracted from their unaudited management accounts and reconciliation to the carrying amount recognised in the consolidated statement of financial position:

	2021		2020	
	SGVIM	**SQVCE**	SGVIM	SQVCE
	HK$'000	**HK$'000**	HK$'000	HK$'000
Revenue, excluding interest income	**—**	**—**	3	—
Interest income	**1**	**21**	1	15
Other gains less losses	**1**	**2,773**	—	(2,547)
Other operating expenses	**(1)**	**(664)**	(40)	(2)
Profit/(loss) from continuing operations and total comprehensive income for the year	**1**	**2,130**	(36)	(2,534)

	As at 31 December 2020	
	SGVIM	SQVCE
	HK$'000	HK$'000
Cash and cash equivalents	245	56,059
Other current assets	—	2,042
Current assets	245	58,101
Non-current assets	747	—
Current liabilities	—	(5,405)
Non-current liabilities	—	—
Net assets	992	52,696
Percentage of effective interests held by the Group*	73%	73%
Carrying amount recognised in the consolidated statement of financial position	724	38,394

No dividend was received from the joint ventures during the current and previous year. The above joint ventures also did not have any financial liabilities other than account and other payables as at 31 December 2020 and did not incur any interest and tax expense for the current period and previous year.

* rounded to the nearest one percent

28 GOODWILL AND OTHER INTANGIBLE ASSETS

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Goodwill	**15,342**	14,695
Other intangible assets	**4,830**	3,087
	20,172	17,782

Goodwill

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
At the beginning and the end of the year		
Gross carrying amount	**14,738**	14,738
Acquisition of subsidiaries (note (i)) (note 16(d))	**647**	—
Accumulated impairment	**(43)**	(43)
Net carrying amount (note (ii))	**15,342**	14,695

Note:

(i) On 3 and 6 December 2021, the Group entered into two sale and purchase agreements to acquire 27% and 26.76% of equity interest in the existing joint venture, SGVIM and SQVCE for a total cash consideration of HK$15,453,000. The Group's interests increased to 100% after acquisition and SGVIM and SQVCE became the subsidiaries of the Group. The acquisition was completed in December 2021 and goodwill arising from the acquisition of the subsidiaries was HK$647,000. No impairment of goodwill was recognised for the year ended 31 December 2021.

The principal activities of SGVIM and SQVCE are set out in note 27. Further details of total cash flow and the net assets acquired are set out in the Company's Consolidated Cash Flow Statement and note 16(d).

(ii) The net carrying amount of goodwill of HK$14,695,000 (2020: HK$14,695,000) relates to the CGU which is principally engaged in the dealing services for securities, futures and options contracts and the securities placing and underwriting services. For the purpose of the annual impairment testing, the recoverable amount was determined based on value-in-use, using a discounted cash flows projection, covering a detailed five-year budget plan with a discount rate of 9.09% (2020: 8%).

The key assumptions used in the budget plan are:

(a) revenue will be maintained at its current level throughout the five-year budget plan to financial year 2025; and

(b) gross margin will be maintained at its current level throughout the five-year budget plan.

The key assumptions have been determined based on past performance and its expectations for the market's development. The discount rate used reflects specific risks relating to the relevant businesses. Based on the above key assumptions and detailed five-year budget plan, the Group's management concluded there was no impairment to goodwill as the carrying amount of the CGU did not exceed its recoverable amount.

The Group's management is currently not aware of any foreseeable change in the above key assumptions on which the recoverable amount is based would cause the carrying amount of the CGU to exceed its recoverable amount.

28 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Other intangible assets

	Development costs HK$'000	Film rights HK$'000	Mobile phone and computer applications HK$'000	Corporate membership HK$'000	Trading rights HK$'000	Total HK$'000
At 1 January 2020						
Cost	12,867	1,774	2,618	280	12,400	29,939
Accumulated amortisation	(9,879)	(1,771)	(1,026)	—	(12,400)	(25,076)
Net carrying amount	2,988	3	1,592	280	—	4,863
Year ended 31 December 2020						
Opening net carrying amount	2,988	3	1,592	280	—	4,863
Additions	—	—	47	—	—	47
Amortisation	(1,357)	(1)	(465)	—	—	(1,823)
Closing net carrying amount	1,631	2	1,174	280	—	3,087
At 31 December 2020						
Cost	12,867	1,774	2,665	280	12,400	29,986
Accumulated amortisation	(11,236)	(1,772)	(1,491)	—	(12,400)	(26,899)
Net carrying amount	1,631	2	1,174	280	—	3,087
Year ended 31 December 2021						
Opening net carrying amount	**1,631**	**2**	**1,174**	**280**	**—**	**3,087**
Additions	**4,000**	**—**	**—**	**—**	**—**	**4,000**
Amortisation	**(1,832)**	**(2)**	**(423)**	**—**	**—**	**(2,257)**
Closing net carrying amount	**3,799**	**—**	**751**	**280**	**—**	**4,830**
At 31 December 2021						
Cost	**16,867**	**1,774**	**2,665**	**280**	**12,400**	**33,986**
Accumulated amortisation	**(13,068)**	**(1,774)**	**(1,914)**	**—**	**(12,400)**	**(29,156)**
Net carrying amount	**3,799**	**—**	**751**	**280**	**—**	**4,830**

Development costs represent the in-house developed securities, futures and options settlement systems; an online trading platform and a website and mobile application developed by an associate company. Trading rights represent the eligibility rights acquired to trade on or through the Stock Exchange and Hong Kong Futures Exchange Limited. Mobile phone and computer applications represent the customer service platform purchased from independent application solution providers. All amortisation is included in "depreciation and amortisation" in the consolidated statement of profit or loss.

29 OTHER ASSETS

Other assets mainly comprise long-term deposits for property and equipment, rental deposits and deposits with the Stock Exchange and clearing houses.

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Deposits with exchange and clearing houses	**13,151**	12,012
Other deposits	**8,366**	12,056
	21,517	24,068

30 PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

	Property and equipment							
	Land and Buildings HK$'000	Right-of-use assets HK$'000 (Note a)	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Subtotal HK$'000	Investment property HK$'000	Total HK$'000
At 1 January 2020								
Cost	—	119,341	20,011	38,675	604	178,631	—	178,631
Valuation	—	—	—	—	—	—	11,700	11,700
Accumulated depreciation	—	(31,948)	(12,824)	(23,280)	(111)	(68,163)	—	(68,163)
Net carrying amount	—	87,393	7,187	15,395	493	110,468	11,700	122,168
For the year ended 31 December 2020								
Opening net carrying amount	—	87,393	7,187	15,395	493	110,468	11,700	122,168
Additions	—	24,958	3,421	6,415	—	34,794	—	34,794
Disposals	—	—	(41)	(19)	—	(60)	—	(60)
Depreciation	—	(37,305)	(3,288)	(5,706)	(121)	(46,420)	—	(46,420)
Fair value change	—	—	—	—	—	—	(2,100)	(2,100)
Translation differences	—	217	19	102	—	338	—	338
Closing net carrying amount	—	75,263	7,298	16,187	372	99,120	9,600	108,720
At 31 December 2020								
Cost	—	137,280	20,040	45,042	604	202,966	—	202,966
Valuation	—	—	—	—	—	—	9,600	9,600
Accumulated depreciation	—	(62,017)	(12,742)	(28,855)	(232)	(103,846)	—	(103,846)
Net carrying amount	—	75,263	7,298	16,187	372	99,120	9,600	108,720
For the year ended 31 December 2021								
Opening net carrying amount	**—**	**75,263**	**7,298**	**16,187**	**372**	**99,120**	**9,600**	**108,720**
Additions	**—**	**3,268**	**1,323**	**2,789**	**—**	**7,380**	**—**	**7,380**
Transfer (note b)	**9,600**	**—**	**—**	**—**	**—**	**9,600**	**(9,600)**	**—**
Acquisition of subsidiaries	**—**	**—**	**—**	**4**	**—**	**4**	**—**	**4**
Depreciation	**(267)**	**(34,707)**	**(2,923)**	**(5,533)**	**(120)**	**(43,550)**	**—**	**(43,550)**
Translation Difference	**—**	**111**	**3**	**56**	**—**	**170**	**—**	**170**
Closing net carrying amount	**9,333**	**43,935**	**5,701**	**13,503**	**252**	**72,724**	**—**	**72,724**
As at 31 December 2021								
Cost	**9,600**	**140,245**	**21,369**	**47,927**	**604**	**219,745**	**—**	**219,745**
Accumulated depreciation	**(267)**	**(96,310)**	**(15,668)**	**(34,424)**	**(352)**	**(147,021)**	**—**	**(147,021)**
Net carrying amount	**9,333**	**43,935**	**5,701**	**13,503**	**252**	**72,724**	**—**	**72,724**

30 PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

Notes:

(a) During the year, additions to right-of-use assets were HK$3,268,000 (2020: HK$24,958,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements. Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16 and 35, respectively.

The Group has obtained the right to use the properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every 3 years to reflect market rentals.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

As at 31 December 2021 and 2020, the future lease payments during the extension periods are not included in the measurement of lease liabilities as the Group is not reasonably certain to exercise the extension options.

(b) Investment property with a carrying amount of HK$9,600,000 was transferred to land and buildings during the year 2021.

31 ACCOUNTS PAYABLE

	Notes	**As at 31 December 2021 HK$'000**	As at 31 December 2020 HK$'000
Accounts payable from dealings in securities, futures and options contracts			
— Brokers and clearing houses	(a)	**39,188**	41,465
— Cash and margin clients	(a)	**1,495,810**	1,907,475
Accounts payable from other businesses			
— Clients		**6,787**	5,591
	(b), (c)	**1,541,785**	1,954,531

Notes:

(a) Accounts payable to brokers, clearing houses and cash clients are repayable on demand up to the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) except for the required margin deposits received from clients for their trading of futures and options contracts. Accounts payable to margin clients are repayable on demand.

(b) No ageing analysis in respect of accounts payable is disclosed as, in the opinion of the Board, the ageing analysis does not give additional value in view of the business nature.

31 ACCOUNTS PAYABLE (CONTINUED)

Notes: (Continued)

(c) Included in accounts payable were the following amounts with related parties:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Directors of the Company	**2,158**	7,814
Close family members of directors of the Company	**115**	148
Fellow subsidiaries	**494**	1,632
	2,767	9,594

32 OBLIGATIONS UNDER REPURCHASE AGREEMENTS

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Analysed by collateral type:		
— Debt securities	**—**	1,965

As at 31 December 2020, the Group sold securities under repurchase agreements at purchase prices of approximately US$631,000 and the Group agreed to repurchase the securities on the scheduled repurchase dates for considerations equal to the respective purchase price and an amount representing the product of the relevant purchase price and a spread. As the Group retained substantially the risks and rewards of ownership of the transferred securities, these transactions were accounted for as financing arrangements to the Group with the transferred securities as collaterals. The Group recognised the consideration received on transfer as financial liabilities. The transferred securities are the collaterals under reverse repurchase agreements (see note 24). As at 31 December 2020, the fair value of the transferred securities was HK$4,975,000.

In addition, the repurchase agreements contain clauses which give the buyers a right to require the Group to repurchase the transferred securities before the scheduled repurchase dates. Accordingly, the amounts are classified under current liabilities.

33 BANK AND OTHER BORROWINGS

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Bank loans			
— Secured	(a), (b)	**1,186,952**	1,417,683
— Unsecured	(c)	**—**	85,091
Other borrowings and private notes			
— Secured	(d)	**232,176**	—
— Unsecured	(e)	**83,726**	370,064
		1,502,854	1,872,838

Notes:

(a) Bank loans of HK$779,578,000 (31 December 2020: HK$808,419,000) were guaranteed by the Company and secured by securities collateral pledged to the Group by margin clients and listed equity securities of the Group with market value of HK$1,924,198,000 (31 December 2020: HK$1,793,551,000) and HK$33,057,000 (31 December 2020: HK$302,215,000) respectively, and bear interest at floating rates ranging from 1.70% to 2.30% (31 December 2020: 1.60% to 2.25%) per annum. Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities.

(b) Bank loans of HK$407,374,000 (31 December 2020: HK$609,264,000) were borrowed from a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company, and were secured by corporate bonds, listed equity securities, private equity fund and bank deposits held by the Group with total carrying amounts of HK$779,301,000 as at 31 December 2021 (31 December 2020: HK$1,106,507,000), certain Company's listed shares held by the immediate controlling shareholder of the Company and certain fellow subsidiary's listed shares held by its immediate controlling shareholder. These bank loans were also guaranteed by the ultimate controlling shareholder and a wholly-owned subsidiary of the Company and bear interest at a floating rate ranging from 3.16% to 3.44% (31 December 2020: 4.08%) per annum.

(c) As at 31 December 2020, bank loans of HK$85,091,000 were unsecured and unguaranteed. These bank loans bear interest at floating rates ranging from 2.23% to 2.76% per annum.

(d) The notes of HK$232,176,000 (31 December 2020: Nil) were secured by the listed equity securities at carrying amounts of HK$172,728,000 (31 December 2020: Nil) and bear interest at a fixed rate of 5.00% per annum.

(e) The notes of HK$83,726,000 (31 December 2020: HK$370,064,000) bear interest at fixed rates ranging from 7.5% to 9.50% (31 December 2020: 5.00% to 9.50%) per annum.

34 CONTRACT LIABILITIES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Contract liabilities	**11,004**	5,864

Movements in contract liabilities

	HK$'000
Balance at 1 January 2020	4,988
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(4,729)
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	2,530
Increase in contract liabilities as a result of advance consideration received from other contracts	3,075
Balance at 31 December 2020 and 1 January 2021	**5,864**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,898)**
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	**3,293**
Increase in contract liabilities as a result of advance consideration received from other contracts	**6,745**
Balance at 31 December 2021	**11,004**

35 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Within 1 year	**33,572**	35,196
After 1 year but within 2 years	**13,478**	32,403
After 2 years but within 5 years	**401**	12,411
	13,879	44,814
	47,451	80,010

36 DEFERRED TAX

(a) Deferred tax assets and (liabilities) recognised

	Accelerated tax depreciation allowances HK$'000	Impairment of receivables HK$'000	Tax losses HK$'000	Changes in fair value of financial assets measured at fair value through profit or loss HK$'000	Total HK$'000
At 1 January 2020	(2,253)	31,315	8,438	28,290	65,790
(Debited)/Credited to profit or loss (note 12)	651	22,732	(3,307)	(21,076)	(1,000)
At 31 December 2020 and 1 January 2021	**(1,602)**	**54,047**	**5,131**	**7,214**	**64,790**
(Debited)/Credited to profit or loss (note 12)	**181**	**(30,827)**	**3,811**	**(23,290)**	**(50,125)**
At 31 December 2021	**(1,421)**	**23,220**	**8,942**	**(16,076)**	**14,665**

36 DEFERRED TAX (CONTINUED)

(a) Deferred tax assets and (liabilities) recognised (Continued)

The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (Restated)
Deferred tax assets	**15,525**	72,265
Deferred tax liabilities	**(860)**	(7,475)
	14,665	64,790

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$102,124,000 (31 December 2020: HK$113,622,000) due to unpredictable profit streams. The tax losses do not expire under current tax legislation.

The Group has not recognised deferred tax assets in respect of temporary differences of ECL provisions of HK$2,452,529,000 (31 December 2020: HK$474,000) as the Group is not able to control the timing of the reversal of the temporary differences and it is not probable to have sufficient taxable profit in foreseeable future.

(c) Deferred tax liabilities not recognised

As at 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$304,000 (31 December 2020: HK$237,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

37 SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each	HK$'000
Authorised		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	30,000,000,000	100,000
Issued and fully paid		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	6,197,049,220	20,657

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

38 SHARE AWARD SCHEME

A restricted share award scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognise and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. The maximum number of awarded shares which may be granted to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of its adoption. Any grant of the awarded shares to any directors or senior management of the Company must first be approved by the remuneration committee of the Company.

Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew the Share Award Scheme up to three times and each time for another 5-year terms.

38 SHARE AWARD SCHEME (CONTINUED)

Movement in the number of shares held for Share Award Scheme and the awarded shares of the Company are as follows:

	Number of shares held for Share Award Scheme	Number of awarded shares
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**51,172,002**	**—**

Pursuant to the Share Award Scheme, if there occurs an event of change in control of the Company, all the awarded shares shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date shall be deemed the vesting date. Upon the change of the controlling shareholders as disclosed in the Company's announcement dated 26 January 2017, any unvested awarded shares at that date were vested.

As at 31 December 2021, Nil (31 December 2020: Nil) forfeited shares and Nil (31 December 2020: Nil) newly purchased shares were held by the trustee under the Share Award Scheme and would be re-granted to eligible employees in future.

During the years ended 31 December 2021 and 2020, no share awards expense was recognised as no awarded shares were vested during the year.

39 NATURE AND PURPOSE OF RESERVES

(a) Share premium and contributed surplus

Under the Bermuda Companies Act 1981, when the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to the share premium account.

The Group's contributed surplus as at 31 December 2021 comprises (a) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof of HK$2,225,000 (2020: HK$2,225,000), and (b) amounts of HK$5,350,355,000 (2020: HK$5,350,355,000) transferred from share capital and share premium account less amounts distributed as dividends in prior years.

(b) Capital redemption reserve

The capital redemption reserve represents the nominal amount of the shares repurchased.

(c) Exchange reserve

The exchange reserve mainly comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations, joint ventures and associates and the share of reserves of joint ventures and associates.

(d) Investment revaluation reserve (non-recycling)

The investment revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income under HKFRS 9 held at the end of the reporting period (see note 2.15).

(e) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property and equipment which becomes an investment property because its use has changed as evidenced by end of owner-occupation in note 2.11.

The property revaluation reserve of the Company is distributable to the extent of HK$5,255,000 (31 December 2020: HK$5,255,000).

(f) Shareholder's contribution

The shareholder's contribution represents contribution made by shareholders.

(g) Shares held for Share Award Scheme

The Shares held for Share Award Scheme have been set up and are dealt with in accordance with the accounting policies adopted for issue of share award respectively in note 2.20.

40 LOANS TO DIRECTORS

Loans to directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name/Relationship with directors	Notes	At 31 December 2021 HK$'000	Maximum outstanding during the year HK$'000	At 1 January 2021 HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Kenneth LAM Kin Hing	(a)	—	1,647	—	69,300	Marketable securities
Mr. LIU Jipeng	(a)	22,266	26,293	23,039	30,000	Marketable securities

Name/Relationship with directors	Notes	At 31 December 2020 HK$'000	Maximum outstanding during the year HK$'000	At 1 January 2020 HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Kenneth LAM Kin Hing	(a)	—	72,503	—	74,300	Marketable securities
Mr. Bernard POULIOT	(a), (b)	—	3,311	83	23,000	Marketable securities
Mr. LIU Jipeng	(a)	23,039	23,039	16,196	30,000	Marketable securities

Notes:

(a) The loans granted under margin finance facilities to two (2020: three) directors of the Company are secured by marketable securities collateral, bear interest at Hong Kong Dollar Prime Rate plus a spread and repayable on demand. The margin loans are measured at fair value through profit or loss, no fair value loss was incurred in respect of these loans during the years ended 31 December 2021 and 2020.

(b) Mr. Bernard POULIOT retired as non-executive director of the Company with effect from 26 June 2020.

41 COMMITMENTS

Capital commitments

At the reporting date, the Group had the following capital commitments which were contracted, but not provided for:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Capital contributions payable to a private equity fund	**18**	18
Property and equipment	**2,014**	300
	2,032	318

Loan commitment

At the reporting date, the Group had the following contractual amounts of loan commitment:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Other loan commitment (Note)	**107,000**	70,000

Note: As at 31 December 2021, the Group agreed to make available to the borrower secured loan facilities of a maximum amount up to HK$107,000,000 for the purpose of financing its proposed general offer. As at 31 December 2020, the Group agreed to make available to the borrower unsecured loan facilities of a maximum amount up to HK$70,000,000 for the purpose of partially financing its proposed privatisation. Details of the transaction were set out in the Company's circular date 25 January 2021.

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties and connected persons during the current and previous years:

	2021 HK$'000	2020 HK$'000
Part I. Continuing connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group		
(A) Service transactions (note (a), (c))		
Income from service transactions provided to:		
China Oceanwide Group		
— Interest income from financial assistance	**57,733**	53,298
Oceanwide Holdings Group		
— Asset management fee income	**622**	763
— Interest income from financial assistance	**170,835**	145,623
— Performance fee income	**8,345**	10,425
Tohigh Group		
— Advisory fee income	**982**	2
— Asset management fee income	**6,032**	7,638
— Handling fee income	**—**	60
— Income from derivative financial instruments	**3,618**	3,032
— Interest income from financial assistance	**119,692**	93,249
— Interest income from margin financing	**2,861**	2,900
— Performance fee income	**—**	2,878
	370,720	319,868
Expenses for service transactions provided by:		
Oceanwide Holdings Group		
— Advisory fee expense	**248**	448
— Interest expense from financial assistance	**4,737**	4,710
— Rebate of asset management fee income	**496**	496
— Research fee expense	**16**	900
Tohigh Group		
— Advertising and marketing expenses	**2,900**	900
— Advisory fee expenses	**2,963**	3,737
— Interest expense from financial assistance	**92**	—
	11,452	11,191

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2021 HK$'000	2020 HK$'000
(B) Investment and lending transactions (note (a))		
Maximum daily amount/outstanding balance from investment and lending transactions provided to:		
China Oceanwide Group		
— Financial assistance	480,000	480,000
Oceanwide Holdings Group		
— Financial assistance	1,494,359	1,289,547
Tohigh Group		
— Financial assistance	1,198,241	998,241
	3,172,600	2,767,788
Maximum daily amount/outstanding balance from investment and lending transactions provided by:		
Oceanwide Holdings Group		
— Financial assistance	50,000	50,000
Tohigh Group		
— Financial assistance	30,000	—
	80,000	50,000

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2021 HK$'000	2020 HK$'000
Part II. Continuing connected transactions from brokerage and interest income business		
(A) Connected dealings services to connected persons (note (b), (c))		
Directors of the Company		
— Commission income from securities and futures dealings	**117**	216
— Interest income from margin financing	**1,895**	1,978
Close family members of directors of the Company		
— Commission income from securities and futures dealings	**15**	34
— Interest income from margin financing	**—**	2
Directors of subsidiaries and their close family members and company owned by a director of subsidiary		
— Commission income from securities and futures dealings	**52**	50
— Interest income from margin financing	**174**	177
Fellow subsidiary		
— Interest income from margin financing	**—**	101
	2,253	2,558
(B) Connected margin loans to connected persons (note (b))		
Connected persons		
— Maximum daily outstanding balance of connected margin loans	**39,086**	115,030

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2021 HK$'000	2020 HK$'000
Part III. Other related party transactions		
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Interest income (note (d))	210	1,739
Associate		
— Advertising income	5	—
Director of the Company		
— Asset management fee income	70	63
	285	1,802

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2021 HK$'000	2020 HK$'000
Related companies — Companies in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Custodian fee	**159**	236
— Interest expense (note (e))	**21,579**	40,862
Intermediate holding company		
— Rental expenses	**557**	—
Fellow subsidiaries		
— Insurance expense	**1,600**	1,958
— Rental expenses	**316**	18
Director of the Company		
— Interest expense	**227**	—
— Motor vehicle expenses	**—**	252
Close family members of directors of the Company		
— Interest expense	**3**	—
Key management personnel		
— Interest expense	**215**	—
Associate		
— Articles fee	**61**	8
— Consultancy fee	**1,200**	1,200
— Repair and maintenance	**200**	—
	26,117	44,534

	2021 HK$'000	2020 HK$'000
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Prepayments, deposits and other receivables	**1**	1
Fellow subsidiaries		
— Prepayments, deposits and other receivables	**211**	1,078
Associate		
— Prepayments, deposits and other receivables	**1,343**	—

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

Notes:

(a) The income and expense arising from connected transactions with China Oceanwide Group*, Oceanwide Holdings Group* and Tohigh Group* were charged based on the respective framework services agreement. Details of the annual caps of these income and expense and the maximum daily outstanding balances were set out in the Company's circulars dated 24 September 2019 and 28 January 2021. These transactions have been approved in the special general meeting held on 11 October 2019 and 26 February 2021.

* China Oceanwide Group includes China Oceanwide Holdings Limited and its subsidiaries. Oceanwide Holdings Group includes Oceanwide Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group and the Group. Tohigh Group includes Tohigh Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group, Oceanwide Holdings Group and the Group. The definitions of China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group were set out in the Company's circulars dated 24 September 2019 and 28 January 2021.

(b) The income from connected transactions with directors of the Company and the subsidiaries and their close family members was based on the pricing stated in the letters stipulating the applicable service fees and interest rate for dealing services. Details of the annual caps of the connected dealings services and connected margin loans were set out in the Company's circulars dated 20 February 2019. These transactions have been approved in the special general meeting held on 8 March 2019.

(c) The transactions are also related party transactions under HKAS 24 (Revised) — Related Party Disclosures.

(d) Interest income of HK$210,000 (31 December 2020: HK$1,739,000) received/receivable from a related company was in connection with demand and time deposits maintained with it during the year. The carrying amount of deposits with this entity as at 31 December 2021 amounted to HK$1,935,000 (31 December 2020: HK$58,909,000) and was included under "Cash and cash equivalents" (note 16). The deposits are unsecured, interest-bearing at relevant deposit rates and are repayable on demand.

(e) Interest expense of HK$21,579,000 (31 December 2020: HK$40,862,000) paid/payable to a related company was in connection with the loans granted by it during the year. The carrying amount of loans with this entity as at 31 December 2021 amounted to HK$407,373,000 (31 December 2020: HK$609,264,000) and was included under "Bank and other borrowings" (note 33).

(f) As at 31 December 2021, the ECL provision on amounts due from certain related parties, including China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group, was HK$2,434,256,000 (2020: HK$101,168,000). The ECL charged to profit or loss during the year was HK$2,316,232,000 (2020: HK$82,098,000).

42 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

Except as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted at any time during financial year.

Compensation of key management personnel

Included in staff costs (note 9) are key management personnel compensation and comprises the following categories:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	27,679	37,038
Post-employment benefits	54	72
	27,733	37,110

Note: Key management personnel consists of the directors of the Company and senior management.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debt and equity investments, other loans, accounts and other receivables, accounts and other payables, obligations under repurchase agreements and bank and other borrowings. 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.

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 receivables from or payables to clients and foreign brokers and foreign currency denominated investments as well as deposits with banks and borrowings from other financial institutions. To mitigate the foreign currency risk, treasury and settlement divisions work closely to manage and monitor the foreign exchange exposure arising from broking in foreign shares and commodities. The policies to manage foreign currency risk have been followed by the Group since prior periods and are considered to be effective.

The following table summarises the Group's major 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 31 December 2020.

	Express in HK$'000									
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SGD")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Australian Dollar ("AUD")	Others	Total
At 31 December 2021										
Financial assets not held for trading	—	267,612	4,210	—	—	—	—	—	—	271,822
Other assets	—	—	—	—	939	—	—	—	—	939
Financial assets held for trading	—	826,433	—	—	—	—	—	23,272	—	849,705
Reverse repurchase agreements	—	2,050	—	—	—	—	—	—	—	2,050
Accounts receivable	1	163,446	2,511	137	15,107	13	20	36	791	182,062
Prepayments, deposits and other receivables	—	1,407	—	—	855	—	—	—	—	2,262
Bank balances held on behalf of clients	1,070	232,703	1,971	187	42,353	342	56	73	170	278,925
Cash and cash equivalents	388	39,225	1,677	85	53,975	1,659	1,308	1,180	2,694	102,191
Accounts payable	(1,070)	(360,335)	(3,889)	(187)	(91,339)	(342)	(75)	(73)	(1,755)	(459,065)
Accruals and other payables	—	(29,113)	—	(18)	(2,531)	—	(28)	—	—	(31,690)
Overall net exposure	389	1,143,428	6,480	204	19,359	1,672	1,281	24,488	1,900	1,199,201

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Express in HK$'000									
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SGD")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Australian Dollar ("AUD")	Others	Total
At 31 December 2020 (Restated)										
Financial assets not held for trading	—	94,066	6,684	—	—	—	—	—	—	100,750
Other assets	—	—	—	—	1,174	—	—	—	—	1,174
Financial assets held for trading	—	1,674,353	—	—	—	—	—	24,545	—	1,698,898
Reverse repurchase agreements	—	163,849	—	—	—	—	—	—	—	163,849
Accounts receivable	229	228,088	3,837	54	9,593	6	—	5,952	(3,854)	243,905
Prepayments, deposits and other receivables	—	1,043	—	—	789	—	—	—	—	1,832
Bank balances held on behalf of clients	4,659	204,764	4,555	74	58,058	129	331	116	105	272,791
Cash and cash equivalents	832	114,272	111	582	12,536	618	3,493	436	933	133,813
Accounts payable	(4,886)	(425,234)	(6,558)	(74)	(67,970)	(129)	(330)	(116)	(1,544)	(506,841)
Obligations under repurchase agreements	—	(1,965)	—	—	—	—	—	—	—	(1,965)
Accruals and other payables	—	(34,447)	—	(18)	(1,193)	—	(22)	—	—	(35,680)
Overall net exposure	834	2,018,789	8,629	618	12,987	624	3,472	30,933	(4,360)	2,072,526

The following table indicates the approximate changes in the Group's profit or loss for the year ended 31 December 2021 and equity in response to reasonably possible changes in foreign exchange rates to which the Group has significant exposure as at the reporting date. A positive number below indicates an increase in profit or a decrease in loss for the year ended 31 December 2021 (and an increase in equity). For a decrease in profit or an increase in loss for the year ended 31 December 2021 (and decrease in equity), the balances below would be negative. 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.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Increase in foreign exchange rates		Effect on profit or loss		Effect on equity	
	As at 31 December 2021 %	As at 31 December 2020 %	**As at 31 December 2021 HK$'000**	As at 31 December 2020 HK$'000	**As at 31 December 2021 HK$'000**	As at 31 December 2020 HK$'000
THB	**5**	5	**19**	42	**19**	42
JPY	**5**	5	**114**	97	**324**	431
SGD	**5**	5	**10**	31	**10**	31
RMB	**5**	5	**968**	649	**968**	649
GBP	**5**	5	**84**	31	**84**	31
EUR	**5**	5	**64**	174	**64**	174
AUD	**5**	5	**1,224**	1,547	**1,224**	1,547

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.

(b) Price risk

The Group is exposed to equity price risk through its investments in listed debt and equity securities which are classified as financial assets measured at fair value through profit or loss. The directors manage this risk exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise if necessary. The policies to manage price risk have been followed by the Group since prior periods and are considered to be effective. The Group is not exposed to commodity price risk.

As at 31 December 2021, if debt and equity prices had increased/(decreased) by 10% (31 December 2020: 10%) and all other variables were held constant, profit for the year would increase/(decrease) by approximately HK$40,020,000 (2020: HK$73,762,000) and the equity other than retained profits would remain unchanged (31 December 2020: unchanged).

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(b) Price risk (Continued)

The sensitivity analysis has been determined by assuming that the price change had occurred at the reporting date and has been applied to the Group's investments at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(c) Interest rate risk

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on cash and cash equivalents, bank balances held on behalf of clients, margin loans and cash client receivables and bank and other borrowings carrying interests at variable rates.

The following table illustrates the sensitivity of the profit/(loss) for the year to a change in interest rates of +1% and –1% (31 December 2020: +1% and –1%). The calculations are based on the Group's bank balances, loans to margin clients and accounts receivable and bank and other borrowings 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.

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
If interest rates were 1% (31 December 2020: 1%) higher		
Increase in profit for the year	**7,589**	6,277
If interest rates were 1% (31 December 2020: 1%) lower		
Decrease in profit for the year	**(7,589)**	(6,277)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group's credit risk is primarily attributable to accounts receivable, other loans, advances to customers for corporate actions and unlisted debt securities measured at amortised cost arising when the debtors, including brokers and clients from money lending services, fail to perform their obligations as at the reporting date. The Group's exposure to credit risk arising from cash and cash equivalents and bank balances held on behalf of clients is limited because the counterparties are banks and financial institution with a credit rating, for which the Group considers to have low credit risk.

In order to minimise the credit risk, loan ratios for corporate loans are based on a combination of factors, including indicative acceptable lending rates from the bankers, the quality of the assets and the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. The credit committee meets regularly and prescribes from time to time the lending limits on individual stocks and/or the credit limits for each individual client, taking into account the loan and stock concentration exposures. It also runs stress tests on loan portfolios to determine the impact on the Group's financial position and exposure. In this regard, the directors consider that the Group's credit risk is effectively controlled and significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of counterparties and clients rather than the geographical area or industry in which these parties operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual counterparties or clients. The Group's credit risk exposure on accounts receivable is spread over a number of counterparties and clients. As at 31 December 2021, the Group's credit risk for other loan and advances to customers for corporate actions is concentrated as the amounts are due from 24 clients (2020: 21 clients).

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from accounts receivable, unlisted debt securities and other loans is disclosed in notes 19, 22, 23, 24 and 25 to the financial statements, respectively.

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

The following table shows reconciliations from the opening to the closing balance of the ECL provisions by class of financial instruments with significant balances as at reporting date.

Credit risk (Continued)

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Accounts receivable from dealings in securities, futures and options contracts				
Balance at 1 January 2020	17	7	6,564	6,588
Transfer to Stage 3	(2)	(5)	7	—
Net remeasurement of loss allowance	—	—	2,180	2,180
New financial assets originated or purchased	62	1	—	63
Financial assets that have been derecognised	(15)	(1)	—	(16)
Written-off	—	—	(21)	(21)
Balance at 31 December 2020 and 1 January 2021	**62**	**2**	**8,730**	**8,794**
Net remeasurement of loss allowance	**(1)**	**1**	**1,473**	**1,473**
New financial assets originated or purchased	**14**	**16**	**—**	**30**
Financial assets that have been derecognised	**(62)**	**(1)**	**(1)**	**(64)**
Written-off	**—**	**—**	**(5)**	**(5)**
Balance at 31 December 2021	**13**	**18**	**10,197**	**10,228**
Financial assets measured at amortised cost				
Balance at 1 January 2020	29,938	3,481	244,551	277,970
Transfer to Stage 3	(44)	(1,774)	1,818	—
Transfer to Stage 2	(23,631)	37,924	(14,293)	—
Transfer to Stage 1	1,706	(1,706)	—	—
Net remeasurement of loss allowance	(945)	88,720	248,734	336,509
New financial assets originated or purchased	9,149	11,672	12,225	33,046
Financial assets that have been derecognised	(3,619)	—	—	(3,619)
Written-off	—	—	(101,338)	(101,338)
Balance at 31 December 2020 and 1 January 2021	**12,554**	**138,317**	**391,697**	**542,568**
Transfer to Stage 3	**(1,931)**	**(113,900)**	**115,831**	**—**
Transfer to Stage 2	**(1,557)**	**1,557**	**—**	**—**
Net remeasurement of loss allowance	**(970)**	**130,884**	**2,450,029**	**2,579,943**
New financial assets originated or purchased	**—**	**5,119**	**—**	**5,119**
Financial assets that have been derecognised	**(7,640)**	**(6,574)**	**(139)**	**(14,353)**
Unwind of discount	**—**	**—**	**27,377**	**27,377**
Write-off	**—**	**—**	**(58,326)**	**(58,326)**
Balance at 31 December 2021	**456**	**155,403**	**2,926,469**	**3,082,328**

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from the timing differences between settlement with clearing houses or brokers and clients. The Group's operating units are also subject to various liquidity requirements as prescribed by the authorities and financial market regulators. The Group has put in place monitoring systems to ensure it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including the Securities and Futures (Financial Resources) Rules. As a further safeguard, the Group has maintained banking facilities to meet contingencies in its operations. The Company will also consider raising fund to meet the business operations growth which require intensive capital buffer. Note 2.2 explains management's plans for managing liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

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

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2021 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on which the Group can be required to pay. "Obligations under repurchase agreements" with a repayment on demand clause are included in the earliest time band regardless of the probability of the counterparties choose to exercise their rights within one year after the reporting date. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000
At 31 December 2021				
Accounts payable	**1,541,785**	**1,541,785**	**1,541,785**	**—**
Bank and other borrowings	**1,502,854**	**1,521,758**	**1,521,758**	**—**
Lease liabilities	**47,451**	**48,020**	**34,008**	**14,012**
Accruals and other payables	**117,174**	**117,174**	**117,174**	**—**
Tax payables	**23,362**	**23,362**	**23,362**	**—**
	3,232,626	**3,252,099**	**3,238,087**	**14,012**
At 31 December 2020				
Accounts payable	1,954,531	1,954,531	1,954,531	—
Bank and other borrowings	1,872,838	1,886,775	1,886,775	—
Obligations under repurchase agreements	1,965	1,966	1,966	—
Lease liabilities	80,010	84,010	37,886	46,124
Accruals and other payables	110,094	110,094	110,094	—
Tax payables	20,403	20,403	20,403	—
	4,039,841	4,057,779	4,011,655	46,124

44 FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses its own internal expertise or engages third party qualified valuers to perform the valuation. Valuation is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

44 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value

The following table presents financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2021				
Financial assets held for trading				
— Listed equity securities (note (i))	400,200	4	—	400,204
— Unlisted equity securities (note (iii))	—	—	451,795	451,795
— Unlisted mutual funds (note (iv))	—	7,125	—	7,125
— Private equity funds (note (v))	—	141,807	108,163	249,970
Derivative financial instruments (note (vii))	—	17,267	—	17,267
Loans to margin clients (note (viii))	—	1,382,977	—	1,382,977
Financial assets not held for trading				
— Unlisted equity securities (note (ix))	—	—	4,210	4,210
	400,200	1,549,180	564,168	2,513,548
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (x))	—	27,958	—	27,958

44 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2020				
Financial assets held for trading				
— Listed debt securities (note (i))	—	11,358	—	11,358
— Unlisted debt securities (notes (ii), (vi))	—	667,350	32,404	699,754
— Listed equity securities (note (i))	726,088	179	—	726,267
— Unlisted equity securities (note (iii))	—	—	427,722	427,722
— Unlisted mutual funds (note (iv))	—	9,238	—	9,238
— Private equity funds (note (v))	—	—	194,868	194,868
Derivative financial instruments (note (vii))	—	94,899	—	94,899
Loans to margin clients (note (viii))	—	1,371,861	—	1,371,861
Financial assets not held for trading				
— Unlisted equity securities (note (ix))	—	—	8,050	8,050
	726,088	2,154,885	663,044	3,544,017
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (x))	—	33,251	—	33,251

There were no transfers between Level 1 and Level 2 during the years ended 31 December 2021 and 2020. There was a transfer from Level 3 to Level 2 because of the listing of the sole investment of a private equity fund during 2021 and a transfer of a derivative from Level 3 as at 31 December 2019 to Level 2 as at 31 December 2020 as management adopted all market observable input for the valuation. For transfers into and out of Level 3 measurements see (xi) below. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes:

(i) The fair value of the listed debt and equity securities has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(ii) As at 31 December 2020, the fair value of the unlisted debt securities in Level 2 was estimated based on discounted cash flow analysis with discounted rate determined by reference to the listed bonds with similar credit terms and rating. The discount rate used to discount the future payments of the bond, depends on the risk free rate plus credit spread of the issuer which links to its sector and credit rating.

(iii) The fair value of unlisted equity securities in Level 3 of HK$428,523,000 (2020: HK$403,177,000) and HK$23,272,000 (2020: HK$24,545,000) have been determined by option pricing model under equity allocation approach and recent transaction respectively. The option pricing model under equity allocation approach is based on main inputs, such as 100% equity value of target company through a backsolve analysis, exercise values, expected volatility of 42.2% (2020: 42.7%), risk free rate of 1.3% (2020: 0.4%) and expected time to expiration.

(iv) The fair value of the unlisted mutual funds have been determined with reference to the net asset value of the funds. The underlying investments held by the funds are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.

(v) The fair value of the private equity funds in level 3 of HK$83,082,000 (2020: HK$113,039,000), HK$25,081,000 (2020: HK$ nil) have been determined with reference to the unadjusted net asset value of the funds, recent transaction with liquidity discount of 5% respectively. The remaining fair value in level 2 of HK$141,807,000 (2020: HK$81,829,000) has been determined with reference to quoted prices of underlying investments in active market with 5% blockage discount.

(vi) As at 31 December 2020, the fair value of the unlisted debt securities in Level 3 of HK$9,735,000 and HK$22,669,000 had been determined by discounted cash flow and binomial model respectively. The discounted cash flow was based on significant unobservable input, i.e. recovery rate of 50.1%, as key parameter. The binomial model was based on significant unobservable input, i.e. discount rate of 16.7%, as key parameter.

Generally, a change in the recovery rate is accompanied by a directionally similarly change to the fair value measurement whilst a change in the discount rate is accompanied by a directionally opposite change to the fair value measurement.

(vii) As at 31 December 2021 and 2020, the total return swap derivative is derived from model using the stock price and historical volatility observable from market. The unlisted option as at 31 December 2020 was valued using black-scholes option with observable market input.

(viii) The fair value of the margin loans has been determined with reference to the market value of securities pledged by margin clients at the reporting date.

(ix) As at 31 December 2021, the fair value of the unlisted equity security of HK$ nil (2020: HK$1,366,000) had been determined by using the net asset value.

As at 31 December 2021 and 2020, the fair value of the unlisted equity security of HK$4,210,000 (2020: HK$6,684,000) has been determined by using the adjusted net asset value with 10% discount and discounted cashflow technique respectively.

The discounted cash flow valuations in 2020 were based on the following significant unobservable inputs:

Significant unobservable inputs	As at 31 December 2020
Discount for lack of marketability	25%
Discount for lack of control	10%
Weighted average cost of capital	12%
Long-term revenue growth rate	2%

44 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

(ix) (Continued)

Generally, a change in the discount for lack of marketability and control and weighted average cost of capital is accompanied by a directionally opposite change to the fair value measurement whilst a change in the long-term revenue growth rate is accompanied by a directionally similar change to the fair value measurement.

(x) The financial liabilities represent net asset value attributable to third party interest of funds. The fair value has been determined by reference to the net asset value of the funds. The underlying investments held by the funds are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.

(xi) The movement of the financial instruments measured at fair value based on significant unobservable inputs (i.e. Level 3) is as follows:

	2021 HK$'000	2020 HK$'000
Financial assets held for trading		
At the beginning of the year	**654,994**	459,257
Transfer to level 2	**(141,807)**	—
Purchases	**16,829**	102,149
Net gain recognised in profit or loss	**50,743**	232,385
Disposals	**(5,073)**	(138,797)
Reclassified to other receivables	**(15,728)**	—
At the end of the year	**559,958**	654,994
Financial assets not held for trading		
At the beginning of the year	**8,050**	6,073
Net (loss)/gain recognised in other comprehensive income (note 19(b))	**(3,840)**	1,977
At the end of the year	**4,210**	8,050
Derivative financial instruments		
At the beginning of the year	**—**	17,119
Transfer to Level 2	**—**	(17,119)
At the end of the year	**—**	—
Total net unrealised gain recognised in profit or loss for assets held at the end of the reporting period	**50,743**	232,385

44 FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value of investment property measured at fair value

Investment property represented commercial office premises in Hong Kong and are categorised within Level 2 of fair value hierarchy. There have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in the years ended 31 December 2020. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer. The fair value of the investment property as at 31 December 2020 has been arrived at on the basis of valuation carried out by independent valuers, who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment property being valued. The fair value has been determined using market comparable approach by reference to transaction price of comparable properties on a price per saleable area basis using market data which is publicly available.

The Investment property was transferred to land and buildings during the year ended 31 December 2021.

45 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payables with Hong Kong Securities Clearing Company Limited ("HKSCC"), which are included in "accounts receivable", "loans to margin clients" and "accounts payable" as presented in the consolidated statement of financial position, respectively. It intends to settle on a net basis as accounts payable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and guarantee fund placed in HKSCC do not meet the criteria for offsetting against each other in the financial statements and the Group does not intend to settle the balances on a net basis.

	As at 31 December 2021					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	587,884	(133,719)	454,165	(23,815)	—	430,350
Loans to margin clients	1,420,292	(37,315)	1,382,977	—	—	1,382,977

45 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	As at 31 December 2021					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	**1,712,819**	**(171,034)**	**1,541,785**	**(23,815)**	**—**	**1,517,970**

As at 31 December 2020

	As at 31 December 2020					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	848,239	(303,014)	545,225	(875)	—	544,350
Loans to margin clients	1,394,918	(23,057)	1,371,861	—	—	1,371,861

	As at 31 December 2020					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	2,280,602	(326,071)	1,954,531	(875)	—	1,953,656

46 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date may be categorised as follows. See notes 2.15 and 2.21 to the financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	31 December 2021 HK$'000	31 December 2020 HK$'000
Financial assets		
Financial assets measured at fair value through profit or loss		
— Financial assets held for trading	**1,109,094**	2,069,207
— Derivative financial instruments	**17,267**	94,899
— Loans to margin clients	**1,382,977**	1,371,861
Financial assets measured at fair value through other comprehensive income		
— Financial assets not held for trading	**4,210**	8,050
Financial assets measured at amortised cost		
— Financial assets not held for trading	**267,612**	117,494
— Advances to customers for corporate actions	**189,308**	189,448
— Other assets	**20,174**	20,168
— Accounts receivable	**454,165**	545,225
— Other loans	**1,598,058**	3,338,900
— Reverse repurchase agreements	**2,050**	163,849
— Deposits and other receivables	**84,577**	107,923
— Bank balances held on behalf of clients	**1,178,362**	1,448,532
— Cash and cash equivalents	**405,290**	214,461
	6,713,144	9,690,017
Financial liabilities		
Financial liabilities measured at amortised cost		
— Accounts payable	**1,541,785**	1,954,531
— Obligations under repurchase agreements	**—**	1,965
— Bank and other borrowings	**1,502,854**	1,872,838
— Accruals and other payables	**89,216**	76,843
Financial liabilities measured at fair value through profit or loss		
— Accruals and other payables	**27,958**	33,251
	3,161,813	3,939,428

47 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission or Hong Kong Insurance Authority. These subsidiaries are required to maintain certain minimum liquid capital; and net asset value and paid-up capital according to the Securities and Futures Ordinance and the Insurance Ordinance, respectively. Management monitors these subsidiaries' liquid capital or net asset value and paid-up capital to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules or the Insurance Companies Ordinance. These externally imposed capital requirements have been complied with by the relevant group entities for the years ended 31 December 2021 and 2020.

The Group monitors its capital using a gearing ratio, which is total debts divided by total equity. For this purpose, total debts include obligations under repurchase agreements, bank and other borrowings and lease liabilities as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratio as at the reporting date was as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Total debt	**1,550,305**	1,954,813
Net assets	**3,596,795**	5,891,217
Gearing ratio	**43%**	33%

Gearing ratio of the Group increased from 33% as at 31 December 2020 to 43% as at 31 December 2021 due to the ECL provisions provided on financial assets and reduction in bank and other borrowings.

48 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Intangible assets	**714**	1,156
Property and equipment	**6,045**	7,035
Investments in subsidiaries	**119,870**	119,870
Financial assets measured at fair value through other comprehensive income	**4,210**	8,050
Deferred tax assets	**2,665**	2,665
	133,504	138,776
Current assets		
Financial assets measured at fair value through profit or loss	**23,271**	24,545
Prepayments, deposits and other receivables	**11,594**	58,651
Amounts due from subsidiaries	**3,719,530**	6,512,477
Cash and cash equivalents	**8,335**	5,303
	3,762,730	6,600,976
Current liabilities		
Bank and other borrowings	**723,275**	1,064,418
Accruals and other payables	**9,057**	9,468
Amounts due to subsidiaries	**—**	17,536
	732,332	1,091,422
Net current assets	**3,030,398**	5,509,554
Net assets	**3,163,902**	5,648,330
EQUITY		
Share capital	**20,657**	20,657
Reserves (note)	**3,143,245**	5,627,673
Total equity	**3,163,902**	5,648,330

Approved and authorised for issue by the Board on 14 April 2022.

On behalf of the Board

HAN Xiaosheng	**Kenneth LAM Kin Hing**
Director	*Director*

48 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Shareholder's contribution HK$'000	Shares held for Share Award Scheme HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	117,070	1,019	5,401,693	(18,066)	1,811	(22,798)	90,068	5,570,797
Net profit for the year	—	—	—	—	—	—	54,899	54,899
Other comprehensive income								
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	1,977	—	—	—	1,977
Total comprehensive income for the year	—	—	—	1,977	—	—	54,899	56,876
At 31 December 2020	117,070	1,019	5,401,693	(16,089)	1,811	(22,798)	144,967	5,627,673

	Share premium HK$'000	**Capital redemption reserve HK$'000**	**Contributed surplus HK$'000**	**Investment revaluation reserve HK$'000**	**Shareholder's contribution HK$'000**	**Shares held for Share Award Scheme HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1 January 2021	**117,070**	**1,019**	**5,401,693**	**(16,089)**	**1,811**	**(22,798)**	**144,967**	**5,627,673**
Dividend approved in respective of previous financial year	—	—	—	—	—	—	**(30,985)**	**(30,985)**
Transactions with equity holders	—	—	—	—	—	—	**(30,985)**	**(30,985)**
Net loss for the year	—	—	—	—	—	—	**(2,449,603)**	**(2,449,603)**
Other comprehensive income								
— Change in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	**(3,840)**	—	—	—	**(3,840)**
Total comprehensive income for the year	—	—	—	**(3,840)**	—	—	**(2,449,603)**	**(2,453,443)**
At 31 December 2021	**117,070**	**1,019**	**5,401,693**	**(19,929)**	**1,811**	**(22,798)**	**(2,335,621)**	**3,143,245**

(Expressed in Hong Kong dollars unless otherwise indicated)

49 PARTICULARS OF THE SUBSIDIARIES OF THE GROUP

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

Name	Place of incorporation	Particulars of issued capital	Percentage of interests		Principal activities and place of operations
			Held by the Company	Held by the subsidiaries	
China Tonghai Asset Management Limited	Hong Kong	Ordinary shares of HK$25,000,000	100	—	Investment adviser and asset management/Hong Kong
China Tonghai Asset Management (BVI) Ltd.	BVI	5,000 ordinary shares of US$1 each	—	100	Provision of fund management services/Hong Kong
China Tonghai Capital (Holdings) Limited	Hong Kong	Ordinary shares of HK$78,260,002	100	—	Investment holding and import/ export trading liaison/Hong Kong
China Tonghai Capital Limited	Hong Kong	Ordinary shares of HK$84,000,000	—	100	Corporate finance and investment adviser/Hong Kong
China Tonghai Finance Limited	Hong Kong	Ordinary shares of HK$54,200,000	—	100	Finance and money lending/Hong Kong
China Tonghai Private Equity Limited	Hong Kong	Ordinary shares of HK$1,500,000	100	—	Investment holding/Hong Kong
China Tonghai Securities Limited	Hong Kong	Ordinary shares of HK$2,170,000,000	—	100	Securities dealing and futures and options broking/Hong Kong
China Tonghai Ventures (BVI) Limited	BVI	1 ordinary share of US$1	—	100	Fund investments/Hong Kong
China Tonghai Ventures (HK) Limited	Hong Kong	Ordinary shares of HK$6,000,000	—	100	Investment holding/Hong Kong
China Tonghai Communications Limited	Hong Kong	Ordinary shares of HK$76,520,664	100	—	Investment holding/Hong Kong
China Tonghai Financial Media Limited	Hong Kong	Ordinary shares of HK$6,000,000	—	100	Website management and other related services/Hong Kong
Global Alliance Partners Funds SICAV — China Tonghai Greater China UCITS Fund	Luxembourg	N/A	—	83	Investment in securities/Hong Kong

The above table lists the material subsidiaries of the Company which, in the opinion of the directors, principally contribute the results for the year or hold a substantial portion of assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

50 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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

51 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 11 March 2022, a subsidiary of the Group has issued a private guaranteed notes (the "Notes") of HK$21 million. The Notes carry an interest rate of 4% per annum, plus additional cash return (if any) to investors, shall mature on 10 September 2022 and are secured by a private equity fund held by the Group. Details of the term of the Notes were set out in the Company's announcement dated on 11 March 2022.

51 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) On 25 March 2022, the Group entered into a deed of assignment with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to purchase a distressed loan and interest receivable with a gross amount as at 31 December 2021 of HK$227 million for a consideration of HK$199 million. Details of the transaction were set out in the Company's announcement dated on 25 March 2022.

(c) Several banks had requested reductions in their banking facilities/utilisation of banking facilities as at 31 December 2021. The Group has repaid bank borrowings of HK$196 million during the first quarter of 2022.

52 RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, and reclassified as appropriate, is set out below.

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	Nine months from 1 April 2017 to 31 December 2017 HK$'000
RESULTS					
Revenue	**857,822**	1,104,615	779,432	672,310	352,155
Other income/(loss)	**15,110**	15,902	(2,275)	23,261	(403)
Direct costs	**(141,838)**	(165,747)	(160,196)	(181,304)	(136,505)
Staff costs	**(186,178)**	(255,215)	(214,850)	(164,967)	(98,006)
Depreciation and amortisation	**(45,807)**	(48,243)	(42,440)	(9,888)	(6,654)
ECL net charges	**(2,582,604)**	(372,627)	(184,800)	(89,890)	(3,148)
Finance costs	**(62,442)**	(109,824)	(112,131)	(59,023)	(10,170)
Other operating expenses	**(55,325)**	(53,662)	(56,883)	(82,306)	(53,413)
Share of result of an associate	**526**	(206)	(212)	—	5,263
Share of results of joint ventures	**1,552**	(1,873)	(2,036)	1,597	(1,930)
(Loss)/Profit before tax	**(2,199,184)**	113,120	3,609	109,790	47,189
Tax (expense)/credit	**(61,393)**	(9,870)	1,738	(9,615)	(3,904)
Net (loss)/profit attributable to the equity holders of the Company	**(2,260,577)**	103,250	5,347	100,175	43,285

Five-Year Financial Summary

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
ASSETS AND LIABILITIES					
Total assets	**6,841,285**	9,944,397	9,726,044	10,177,613	8,601,804
Total liabilities	**(3,244,490)**	(4,053,180)	(3,942,490)	(4,380,999)	(2,864,381)
	3,596,795	5,891,217	5,783,554	5,796,614	5,737,423

Notes to the five year summary:

1. As a result of the adoption of HKFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2. As a result of the adoption of HKFRS 15, Revenue from contracts with customers, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

3. The Group adopted HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

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