中金投集团
China Financial Services Holdings Ltd

# China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)
(Stock code: 605)

## Annual Report 2022

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

### *Executive Directors*

Mr. Zhang Min *(Chief Executive Officer)*
Dr. Cheung Chai Hong
(Resigned on 17 December 2022)

### *Non-executive Directors*

Mr. Chan Yuk Ming *(Chairman)*
(Resigned on 17 December 2022)
Mr. Fang Feiyue
(Resigned on 17 October 2022)
Mr. Wu Xinjiang
(Resigned on 13 March 2023)
Mr. Tao Chun

### *Independent Non-executive Directors*

Mr. John Paul Ribeiro
(Appointed on 17 March 2023)
Mr. Zhang Kun (Appointed on 13 March 2023)
Mr. Chan Chun Keung
Mr. Lee Ka Wai
Dr. Zhang Xiao Jun
(Resigned on 13 March 2023)
Madam Zhan Lili

## COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, FCA, CTA

## AUDITORS

Baker Tilly Hong Kong Limited
*Certified Public Accountants*
Registered Public Interest Entity Auditors

## AUDIT COMMITTEE

Mr. Lee Ka Wai *(Chairman)*
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun
(Resigned on 13 March 2023)
Mr. Wu Xinjiang
(Resigned on 13 March 2023)
Madam Zhan Lili
Mr. Zhang Kun (Appointed on 13 March 2023)

## REMUNERATION COMMITTEE

Mr. Zhang Kun *(Chairman)*
(Appointed on 13 March 2023)
Mr. Tao Chun
Mr. Chan Chun Keung
Mr. Lee Ka Wai
Dr. Zhang Xiao Jun (Resigned on 13 March 2023)
Madam Zhan Lili

## NOMINATION COMMITTEE

Mr. Chan Yuk Ming *(Chairman)*
(Resigned on 17 December 2022)
Mr. Lee Ka Wai *(Chairman)*
(Appointed on 17 December 2022)
Mr. Tao Chun
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun (Resigned on 13 March 2023)
Madam Zhan Lili
Mr. Zhang Kun (Appointed on 13 March 2023)

## BUSINESS RISKS COMMITTEE

Mr. Zhang Min *(Chairman)*
Mr. Lee Ka Wai
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun (Resigned on 13 March 2023)
Madam Zhan Lili
Mr. Zhang Kun (Appointed on 13 March 2023)

## SHARE REGISTRAR

Tricor Tengis Limited
17/F,
Far East Finance Centre
16 Harcourt Road
Hong Kong

## REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

## STOCK CODE: 605

## WEBSITE

www.cfsh.com.hk

## INVESTORS RELATION

0605ir@cfsh.com.hk

# FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2022** | 2021 | Percentage change |
| | **HK$'000** | HK$'000 | % |
| Interest and services income | **200,826** | 304,593 | (34.1) |
| Loss for the year attributable to owners of the Company | **(52,553)** | (250,065) | (79.0) |
| | **HK$** | HK$ | |
| Basic loss per share | **(0.26)** | (1.24) | (79.0) |

# CHAIRMAN'S STATEMENT

2022 was a year of resilience, adaptation, and growth for our Company. Since the Company's announcement in October 2020 about the unauthorized guarantees and loans executed by Mr. Luo Rui, the former Chief Executive Officer and former executive director, and Madam Guan Xueling, the former executive director, the Company has been working tirelessly in attempt to fulfill the Resumption Guidance listed by the Hong Kong Stock Exchange ("HKEX") on 25 June 2021. Unfortunately, due to COVID-19 related delays, the Company only managed to fulfill all Resumption Guidance shortly after the 28 September 2022 deadline imposed by HKEX, which led to the Company's case being referred to the Listing Review Committee before finally resuming its listing status on 27 February 2023.

I have witnessed the Company's hardest moments, and its subsequent overhaul in its internal control policy, corporate governance measures and risk management practices. I believe these safeguards are adequate to prevent similar incidents from happening in the future. I am confident that the new management team and board members will bring fresh perspectives to lead the Company to embark its next phase of growth.

Affected by COVID-19, uncertainties in China's macroeconomy have led to escalating credit risk and the difficulty to acquire quality customers under our strict risk management measures. Despite the ongoing macro and company-specific uncertainties, the Group has remained steadfast in pursuing growth under strict internal control and risk management protocols. I am pleased to report that in 2022, the Group has achieved solid financial performance.

In 2023, the relaxation of COVID-19 related restrictions and the implementation of a series of supportive policies, we expect to see recovery in overall business activities as well as loan demand. On top of its core business, the Company is also going to continue to explore new business opportunities that bring synergy with the Group's core lending business. We continue to explore collaborations to diversify our business portfolio, and to seek more channels to expand our client base. We are confident that these initiatives will enable us to maintain our competitive edge and drive sustainable growth for our Company in the long run.

Finally, I would like to express my gratitude to our shareholders, partners, colleagues, and clients for their unwavering support and commitment to our Company's success. We recognize the challenges and uncertainties that lie ahead, but we are confident that with our resilient spirit, our adaptability, and our collective efforts, we will overcome these challenges and seize the opportunities that lie ahead.

**Zhang Min**
*Acting Chairman*
Hong Kong, 31 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Review

Despite the challenges posed by the COVID-19 pandemic and global macro uncertainties, China's GDP grew by 3% year-on-year in 2022. However, the property market in Mainland China has been showing uncertainties due to the developer debt crunch, a weaker macroeconomic outlook, and housing surplus. The 'mortgage boycott' movement started spreading to multiple cities in July 2022, leading to further uncertainties in the sector.

In March 2022, the US Federal Reserve raised its benchmark rate by 25 basis points and has continued to do so for 6 more times throughout the year. In Hong Kong, property prices have shown some weakness with the Centa-City Leading Index falling by around 15% year-on-year at the end of 2022. The fall could be attributed to rising interest rates and macroeconomic uncertainties, leading to uncertainties in the mortgage lending sector.

## Business Review

Risk management was the key focus for the Group in 2022. By limiting the per loan exposure and loan-to-value ratio, the Group managed to maintain relatively stable operations in the regions we were operating in. In early 2022, various Mainland cities have begun strict lock downs, which has impacted both new loan origination as well as the Group's back-end operations.

## Financial Review

### *Interest and financing consultancy services income*

During the financial year ended 31 December 2022 (the "Financial Year" or "Reporting Period"), the Group's revenue principally derived from the interest and services income from loan services.

Interest and services income for the year 2022 was approximately HK$200,826,000, representing about 34.1% decrease compared to that of approximately HK$304,593,000 last year. The decrease was mainly due to (i) strict lockdowns in various Mainland cities in the first half of the Financial Year due to COVID-19 pandemic, which has impacted our loan origination, and (ii) the Group has taken a conservative approach on granting new loans.

### *Interest and handling expenses*

Interest and handling expenses represent finance costs incurred for the Financial Year. The amount decreased from approximately HK$207,377,000 for last year, to approximately HK$135,999,000 for the Financial Year, representing a decrease of 34.4%. The decrease in finance costs was due to decrease in borrowings and loan payables during the Financial Year.

### *Other Income and Other Gains and Losses*

Other income and other gains and losses for the Financial Year amounted to approximately HK$27,711,000. The increase in other income and other gains and losses was mainly attributable to gain from changes in fair value of contingent consideration receivables in an amount of approximately HK$11,079,000.

During the Reporting Period, there was a one-off other income from reversal of interest payables in an amount of approximately HK$52,508,000.

### *General and administrative expenses*

General and administrative expenses for the Financial Year decreased by 13.5% to approximately HK$158,308,000, primarily comprised of staff costs and related expenses, legal and professional fee, consultancy fee and general office expenses. The management will continue to act on its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

### *Loss for the year*

Loss for the year attributable to owners of the Company was approximately HK$52,553,000, representing a decrease of 79.0% as compared to loss of approximately HK$250,065,000 for last year.

### *Liquidity and Financial Resources*

The Group adopts a prudent cash and financial management policy. Funds are maintained at a sound and healthy financial resource level. The Group's net current assets and equity attributable to owners of the Company as at end of the Financial Year were approximately HK$311,117,000 and approximately HK$789,725,000 respectively. The Group's outstanding borrowings and loan payables and unsecured bonds as at end of this Financial Year amounted to HK$1,375,165,000, a decrease of approximately 22.9% as compared with that of last year, out of which HK$1,267,941,000 are due within one year and HK$107,224,000 are due after one year. There is no funding requirements for capital expenditure commitments for the Financial Year.

### *Capital Management*

The Group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. All the borrowings and loan payables are at fixed interest rates. The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions.

Based on the Group's current and anticipated level of operation, the Group's future operations and capital requirements will be mainly financed through borrowings and share capital. There were no significant commitments for capital expenditure as at 31 December 2022.

### *Employee and Remuneration Policies*

As of 31 December 2022, the Group had approximately 146 employees in the PRC and Hong Kong, in which 74 are female employees. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience, and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Financial Year were approximately HK$70,987,000, a decrease of approximately 16.5% as compared to the corresponding figure of previous year. In order to recognize and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the "Share Award Plan") on 14 January 2019. As of the date of this report, no awards have been granted or agreed to be granted under the Share Award Plan.

### *Charge on assets*

As of 31 December 2022, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK$270,000,000. Certain properties mortgaged to a subsidiary of the Company by its respective customers were pledged to secure loan facilities granted to the Group with a carrying value of approximately HK$38,600,000. As of 31 December 2022, the Group had pledged its mortgage loan receivables with net book value of approximately HK$39,338,000 to secure loan facilities granted to the Group.

### *Fair Value Estimation*

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

### *Contingent Liabilities*

The directors consider that the Group had no material contingent liabilities.

### *Foreign Exchange Exposure*

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. As at end of the Financial Year, loan payables arising from the Incidents amounted to approximately HK$967,311,000 are denominated in RMB and cash and cash equivalents amounted to approximately HK$352,517,000 are denominated in RMB. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as of 31 December 2022.

### *Significant Investments Held, Material Acquisitions and Disposals*

The Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

## Business Model

The Group is engaged in the provision of financing services in four operating regions, namely Hong Kong, Shenzhen, Chengdu and Beijing. The clients are individuals' customers and corporate customers locate in Hong Kong and the PRC. The Group identifies potential customers through in-house sales teams, referrals and networks with commercial banks, property developers and small-to-medium sized enterprises. The Group has credit policies, guidelines, standard operating procedures and regional credit committee and Group's loan approval committee and Business Risk Committee in place. The standard workflow of the loan origination includes (i) "know-your-client" background check, (ii) credit assessment, (iii) loan approval, (iv) execution of documents (v) after-loan services and (vi) recovery and collection of loan.

The following is a summary of the key internal controls of the Group's loan financing operation:

| | |
|---|---|
| Background check | Various identification documents shall be provided by the loan applicant, which shall be reviewed and assessed. Information such as personal ID/passport, corporate constitution documents, business registrations, address proof, payroll or financial records, nature of business, type, and value of collateral (for secured loan applications), and credit rating reports shall be collected. Each loan applicant shall complete a loan application form with his/her intended loan amount, term, purpose of the loan, repayment plan and proposed collateral/security to be offered. |
| Credit assessments and Loan approval | The client's background and information such as their financial capabilities, availability of guarantor(s), quality, validity and title deed and liquidity of collaterals, will then be assessed by the credit committee of respective operating region. If the loan amount applied exceeds the approval limit of the regional credit committee but is not more than RMB30 million, then the loan application will be assessed by the Group's loan approval committee. For any loan principal exceeding RMB30 million, the approval from the Business Risks Committee is required. The management team shall consider whether the loan applications are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders as a whole. Whenever the loan transaction constitutes a discloseable transaction or above by assessment of size tests under Chapter 14 of the Listing Rules or involves connected person(s) as defined under Chapter 14A of the Listing Rules, the loan transaction will be reported to the Board for their consideration. |

| | |
|---|---|
| Execution of documents | All loan applications must be approved by the relevant approval committees. The proper execution of the loan documentations under the supervision of the responsible officer will be concluded. |
| After-loan services | There will be continuous monitoring on the repayments from borrower, regular communication with the borrower of its updated financial position, and regular review on the market value of the collateral(s) pledged. |
| Collection and recovery | Formal reminder and legal demand letter will be issued to the borrower whose payment is overdue. Legal action maybe taken against the borrower for recovery of the amount due and taking possession of the collateral(s) pledged. |

The Group offers secured and unsecured loans to individuals and corporate clients. Most of the collaterals of secured loans are in the form of mortgages over residential and/or commercial properties owned by these clients. The total gross amount of property mortgage loans accounted for approximately 89.2% of the entire loan portfolio of the Group as at 31 December 2022. For mortgage loans, the Group would consider the value of the collaterals and grants loans with a loan-to-value ratio (the "LTV Ratio") of no more than 75%. The Group may require the borrower to deposit additional collateral or partially pay down/repay the loan principal if the LTV Ratio is over 75% under regular after-loan services. Unsecured loans accounted for approximately 6.3% of the entire loan portfolio of the Group. At the year ended 31 December 2022, the Group had 1,404 active customers, of which 1,333 of them were individual customers and the remaining 71 were corporate customers; and of which 712 of them were secured customers and 692 of them were unsecured customers. The interest and service fees charged at a range of monthly effective rates of 0.70% to 4.29% for PRC loans and the interest charged at a range of monthly effective rates of 0.35% to 4.99% for HK loans. A typical loan generally has a term of 60 days to 30 years.

For the Reporting Period, the current ratio[(i)] and the gearing ratio[(ii)] of the Group are 1.19 and 1.11 respectively.

The top five customers accounted for 10.3% of the total outstanding balances of the Group's loan portfolio as of 31 December 2022.

(i) Current ratio was calculated by dividing current assets by current liabilities as at the end of the Reporting Period.

(ii) Gearing ratio was calculated by dividing interest bearing net debts (borrowings and loan payables plus unsecured bonds less cash and cash equivalents) by total equity as at the end of the Reporting Period.

The percentage of revenue contribution from different operating regions of the Group for both years is shown below:

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Beijing | **36.6%** | 49.6% |
| Chengdu & Chongqing | **30.1%** | 19.2% |
| Shenzhen | **12.6%** | 10.5% |
| Hong Kong | **20.7%** | 20.7% |

## Future Prospects

Shares of the Company have suspended trading from 29 March 2021 to 26 February 2023 and resumed trading on the Main Board of the Stock Exchange of Hong Kong Limited on 27 February 2023. It is the effort of the board and the new management to develop a sound and reliable internal control and operating system.

Given the Hong Kong's and the PRC's borders are recently re-opened to the rest of the world and resumption of business activities back to pre-pandemic level, the economies of Hong Kong and the PRC are expected to recover gradually in 2023. More importantly, Hong Kong is an international financial hub and plays an important role in the Greater Bay Area, and therefore we believe that both our businesses in Hong Kong and Shenzhen will continue to benefit from the development and opportunities in the Greater Bay Area.

However, the Group's business prospects remain uncertain because of the geopolitical risk factors.

The Group will adopt a prudent approach in the course of its business development, while exercising stringent control over operating costs. In addition, further upward adjustment of the US Federal Reserve benchmark interest rates in 2023 will inevitably increase the funding cost of the borrowers which may affect the purchasing power in the property market in Hong Kong. As such, we believe that our loan growth momentum in Hong Kong will continue to be constrained.

With both opportunities and challenges ahead, we are confident that the Group will maintain a steady business development and continue to expand our footprints in these operating regions in a cautious manner amid the difficult business operating environment. To continuously deliver a sustainable value to our clients and shareholders is our long-term strategy.

## Executive Director

**Mr. Zhang Min**, aged 65, has extensive experience in finance and banking industry, Mr. Zhang joined the Group in December 2021 as a non-executive director of the Company and was re-designated as an executive director of the Company on 17 October 2022 and appointed as the chief executive officer of the Company on 22 November 2022.

Mr. Zhang holds a Bachelor of Philosophy Degree from the Beijing Normal College and a master of Laws Degree from the Renmin University of China. Since 23 March 2015, he was appointed as independent non-executive director of China Eco-Farming Limited (stock code: 8166), a company listed on the GEM of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He was an executive director of Value Convergence Holdings Limited (Stock code: 821), from 25 June 2018 to 2 December 2019. He was appointed as the chief executive officer and an executive director of Macrolink Capital Holdings Limited (stock code: 758) from 10 August 2016 to 22 August 2018. He was appointed as a non-executive director of GoFintech Innovation Limited (Stock code: 290) on 8 December 2010. He was redesignated and appointed as chairman of the Board, executive director and a member of the remuneration committee of the company from 12 April 2011 to 30 June 2014. In addition, he was an independent non-executive director of Silver Base Group Holdings Limited (Stock code: 886) from 28 January 2011 to 1 April 2014. The aforesaid companies are listed on the Main Board of the Stock Exchange.

Mr. Zhang was also the chief marketing officer of the China Cinda Asset Management Co., Ltd from 28 April 2011 to 31 August 2013 and was the chief executive of China Construction Bank Corporation, Hong Kong Branch, from September 2006 to March 2011 and a director of CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited from August 2006 to March 2011. Both CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited are wholly-owned subsidiaries of China Construction Bank Corporation (together with its subsidiaries referred to as the "CCBC Group"), a joint stock company incorporated in the PRC with limited liability, whose issued shares are listed on the main board of the Stock Exchange. He was the president of the Beijing Banking Association from 2003 to 2005 and the Beijing Investment Institution from 2001 to 2006. Mr. Zhang possesses over 20 years' experience in the banking industry through his work with the CCBC Group.

Mr. Zhang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

## Non-Executive Directors

**Mr. Tao Chun**, aged 39, joined the Group in June 2021. Mr. Tao holds a Master Degree in Mathematical Sciences from Tsinghua University. Mr. Tao worked for Beijing Enginest Technology Company Limited as a Senior Modeling Engineer; Mr. Tao also served in China Chengxin Information Technology Company Limited as the General Manager of the Fixed Income Department; Mr. Tao currently works in China United SME Guarantee Corporation Company Limited as Deputy Director and Deputy General Manager of the Investment Department.

Mr. Tao does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

## Independent Non-Executive Directors

**Mr. Chan Chun Keung**, aged 72, joined the Group in November 2000. Mr. Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr. Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Mr. Lee Ka Wai**, aged 35, joined the Group in May 2021. Mr. Lee has extensive experience in auditing and finance. Mr. Lee had worked for an international accounting firm providing assurance services to a number of listed companies in Hong Kong. Mr. Lee holds a Bachelor Degree of Commerce in Accounting from Hong Kong Shue Yan University and is a practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Mr. Zhang Kun**, aged 40, joined the Group in March 2023. Mr. Zhang has extensive experience in corporate finance, investments and international capital markets. Mr. Zhang is currently the chairman of the board of directors and chief executive officer of Templewater Holdings Limited, a private equity investment and alternative asset management firm of which he co-founded in March 2019. He is also the chairman of the board of directors of Citybus Limited and New World First Bus Services Limited since October 2020. Mr. Zhang has previously worked in Chow Tai Fook Enterprises Limited as well as the Corporate Finance Division of Deutsche Bank AG and The Hongkong and Shanghai Banking Corporation Limited. Mr. Zhang has been a member of the Beijing Municipal Committee of the 14th Chinese People's Political Consultative Conference since January 2023. Mr. Zhang holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo in Canada and a Master of Science degree from Harvard University in the United States of America.

Mr. Zhang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. John Paul Ribeiro**, aged 62, joined the Group in March 2023. Mr. Ribeiro has served the Hong Kong Police Force for over 34 years with the Rank of Assistant Commissioner of Police. He has expertise across the full spectrum of police works, most notably in key command crime, operational and management posts in Regions and Headquarters. Mr. Ribeiro currently provides expert consultancy services on various commercial matters such as risk management, fraud prevention, Anti Money laundering, asset tracing etc. through his own consultancy firm.

Mr. Ribeiro does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Madam Zhan Lili,** aged 50, joined the Group in May 2018. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Madam Zhan completed her studies in business administration at the Faculty of Business Administration of Capital University of Economics and Business in 2003. Madam Zhan was an assistant to the General Manager of Tomson (Shanghai) Company Limited from 2000 to 2001. She worked in the human resource department of the Beijing branch of Industrial Bank Co., Ltd. from 2003 to 2007 and was a president assistant of Beijing Hai Dian Science & Technology Development Co., Ltd., a company engaged in electronics and information technology, environmental protection materials, property development and e-business, from 2007 to 2015. From 2008 to 2017, she worked as an independent non-executive director of Bloomage BioTechnology Cooperation Limited (a company was withdrawn from listing in the Stock Exchange in 2017) and Hiersun Industrial Co., Ltd.

Madam Zhan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

## Senior Management

**Mr. Chung Chin Keung**, aged 55, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr. Chung holds a Bachelor Degree of Business Administration from the Hong Kong Baptist University and a Master Degree in Business Administration from Manchester Business School. He has more than 25 years of experience in finance, accounting and management. Before joining the Group, Mr. Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. Mr. Chung is responsible for the daily management of the business operation in Hong Kong.

**Ms. Tsui Yan Tung**, aged 36, is the investment director of the Company. Ms. Tsui joined the Group in August 2016 and she is responsible for the Company's capital market activities, investor relations and the risk management of the lending business in Hong Kong. Prior to joining the company, Ms. Tsui was a Vice President at LST Partners, a Hong Kong-based hedge fund. She was responsible for investment analysis and risk management. Previously, she worked at China Construction Bank International (CCBI) Securities for over 5 years as Institutional Sales and Research Analyst.

Ms. Tsui is a Chartered Financial Analyst (CFA). She holds a BBA in Global Business and Finance from the Hong Kong University of Science and Technology.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yang Wu**, aged 49, joined the Group in March 2010. He is currently the general manager of Chengdu Vision Credit Limited, overseeing the business operation of the Chengdu's business.

Prior to joining the Group, Mr. Yang was a project manager of Beijing Boroto Pawn Shop and was an account manager of Bank of China, Hubei Xiaogan Branch.

Mr. Yang obtained an associate degree in accounting.

**Mr. Dong Jing Lei**, aged 36, joined the Group in 2012 as a credit manager. He was the deputy general manager of Chengdu Vision Credit Limited in 2017 and is currently the deputy general manager of Shenzhen Credit Gain Finance Company Limited. Mr. Dong is responsible for daily operation of the Shenzhen's business.

Prior to joining the Group, Mr. Dong worked for the legal department in Beijing office of Huatai P&C Insurance. Mr. Dong holds a Bachelor Degree in law from the Beijing Technology and Business University.

# REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2022 (the "Reporting Period") .

## Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 14 to the financial statements respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap 622 of the laws of Hong Kong), including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement set out on page 5 and Management Discussion and Analysis set out on pages 6 to 11 of this annual report. This discussion forms part of this director's report.

## Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy.

## Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Further discussion on financial risk management is outlined in Note 39 to the consolidated financial statements.

## Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

## Compliance with the Relevant Laws and Regulations

During the year under review, 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.

## Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

## Segment Information

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2022 is set out in note 5 to the financial statements.

## Results and Dividends

The Group's profit for the Reporting Period and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 81 to 199. The directors do not recommend payment of a final dividend for the financial year ended 31 December 2022 (2021: Nil), to shareholders of the Company.

## Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and "Consolidated Statement of Changes in Equity" on page 85.

## Distributable Reserves

As at 31 December 2022, the Company did not have distributable reserve to shareholders in accordance with the provision of Section 297 of the Companies Ordinance (2021: Nil).

## Share Capital and Share Options

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 32 and 35 to the financial statements, respectively.

## Share Award Scheme

On 14 January 2019 (the "Adoption Date"), the Company adopted the share award scheme (the "Share Award Scheme") in which any employees, directors, consultants or advisors of any member of the Group (the "Grantee") will be entitled to participate.

The purposes of the Share Award Scheme are to recognize the contributions by certain Grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

Under the Share Award Scheme, the awarded shares held by the trustee shall vest to the selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the grant of the award and on each relevant vesting date(s) a grantee. The Board may also, at its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the awarded shares can vest.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date (i.e. until 13 January 2029).

The maximum number of awarded shares throughout the duration of the Share Award Scheme is 21,464,036 shares (after adjustment of share consolidation), being 10% of the issued shares of the Company as at the Adoption Date and 10.23% of the issued shares of the Company as at the date of this annual report. The maximum number of shares which may be awarded to a selected Grantee under the Share Award Scheme during any 12-month period is 2,146,403 shares (after adjustment of share consolidation), being 1% of the issued shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 14 January 2019.

During the Reporting Period, there were 6,962,700 shares held in trust by the trustee under the Share Award Scheme and no awards have been granted or agreed to be granted under Share Award Scheme.

## Borrowings and Loan Payables

Details of borrowings and loan payables of the Company and its subsidiaries as at 31 December 2022 are set out in note 25 to the financial statements.

## Remuneration Policy

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

## Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited financial statements in this report, is set out on page 200. This summary does not form part of the consolidated financial statements in this annual report.

## Major Customers

The Group is principally engaged in provision of short term financing services. The five largest customers of the Group accounted for less than 30% of the Group's revenue during the Reporting Period.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers.

## Directors

The directors of the Company who held office during the year and up to the date of this report were:

### *Executive Directors*

Zhang Min *(Chief Executive Officer)* (Re-designated as an executive director of the Company on 17 October 2022)
Cheung Chai Hong (Resigned on 17 December 2022)

### *Non-executive Directors*

Chan Yuk Ming *(Chairman)* (Resigned on 17 December 2022)
Wu Xinjiang (Resigned on 13 March 2023)
Fang Feiyue (Resigned on 17 October 2022)
Tao Chun

*Independent Non-executive Directors*

John Paul Ribeiro (Appointed on 17 March 2023)
Zhang Kun (Appointed on 13 March 2023)
Chan Chun Keung
Lee Ka Wai
Zhang Xiao Jun (Resigned on 13 March 2023)
Zhan Lili

According to Article 105(A) of the Company's Articles of Association, Mr. Zhang Kun, Mr. John Paul Ribeiro and Mr. Zhang Min shall retire by rotation at the annual general meeting and are eligible to offer themselves for re-election at the annual general meeting. Mr. Zhang Kun, Mr. John Paul Ribeiro and Mr. Zhang Min shall offer themselves for re-election at the annual general meeting. The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The persons who were directors of the subsidiaries of the Company during the Reporting Period and up to the date of this report:–

Zhang Min
Cheung Chai Hong
Chan Yuk Ming
Peng Kai
Chung Chin Keung
Tsui Yan Tung
Yang Wu
Qian Yue
Zhao Jing Rui
Tang Ya Kun
Pauline Heng
Zhong Liang
Yang Lei
Cui Qing Xiao
Li Jingjie

## Directors' Service Contracts

Independent non-executive directors, namely Mr. Chan Chun Keung entered into service contracts with the Company for a term of one year commencing on 9 September 2004. Madam Zhan Lili has entered into a service contract with the Company for one year commencing on 21 May 2018. Mr. Lee Ka Wai has entered into a service contract with the Company for one year commencing on 31 May 2021. Mr. Zhang Kun and Mr. John Paul Ribeiro have entered into a service contract with the Company for one year commencing on 13 March 2023 and 17 March 2023 respectively. All the service contracts are automatically renewed on a yearly basis. All independent non-executive directors are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than one month notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

## Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Indemnity of Directors

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2022.

## Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" and "Share Award Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Interests of Substantial Shareholders

As at 31 December 2022, the following company and person were interested in 5% or more of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

*Long Positions in Shares and Underlying Shares of the Company*

| Name | Capacity | Number of Ordinary Shares held | Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4) |
|---|---|---|---|
| Cheung Siu Lam | Beneficial owner of 86,002,212 ordinary shares, family interest of 29,662,100 ordinary shares (Note 1) | 115,664,312 | 55.27% |
| Lo Wan | Beneficial owner of 25,342,100 ordinary shares, interest in controlled corporation of 4,320,000 ordinary shares (Note 3) family interest of 86,002,212 ordinary shares (Note 2) | 115,664,312 | 55.27% |
| China United SME Guarantee Corporation | Beneficial owner of ordinary shares | 30,259,000 | 14.46% |

Notes:

1. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 29,662,100 ordinary shares held by his spouse, Lo Wan.

2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 86,002,212 ordinary shares held by Cheung Siu Lam.

3. Arbalice Holdings Limited is beneficially owned by Lo Wan. By virtue of the SFO, Lo Wan are deemed to be interested in 4,320,000 shares held by Arbalice Holdings Limited.

4. The percentage is calculated based on the total number of issued shares as at 31 December 2022.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

## Share Option Scheme

The Company adopted a share option scheme on 7 June 2004 (the "2004 Scheme") which was terminated on 6 June 2014. The Company adopted a new share option scheme (the "2014 Scheme") at the Company's annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

A summary of the 2014 Scheme of the Company is as follows:

| | | |
|---|---|---|
| 1. | Purpose | To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity"). |
| 2. | Participants | (i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity;<br><br>(ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and<br><br>(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. |
| 3. | Total number of securities available for issue under the 2014 Scheme as at the beginning and the end of the Reporting Period and the percentage of the issued share capital that it represents as at the date of the annual report | 17,145,431 (adjusted as a result of the share consolidation) ordinary shares and 8.19% of the existing issued share capital. |
| 4. | Maximum entitlement of each participant | Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. |

| | | |
|---|---|---|
| | | Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:<br><br>(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and<br><br>(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,<br><br>such grant or further grant of options must be approved by the shareholders in a general meeting. |
| 5. | Period within which the option may be exercised by the grantee | An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the 2014 Scheme. |
| 6. | Minimum period, if any, for which an option must be held before it can be exercised | There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors. |
| 7. | Amount, if any, payable on application or acceptance of the option and the period within which such payments or calls must or may be made or loans for such purposes must be repaid | The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee. |
| 8. | Basis of determining the exercise price of options | Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options. |
| 9. | The remaining life of the 2014 Scheme | The 2014 Scheme remains in force until 19 May 2024. |

During the year under review, no share options were granted under the 2014 Scheme.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Details of the share options under the 2014 Scheme for the Reporting Period are as follows:

| Type of participant | Date of Grant | Vesting Period | Exercisable Period | Number of shares: Outstanding at 1 January 2022 | Granted and Vested during the Reporting Period *(Note 1)* | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding at 31 December 2022 | Exercise price per share HK$ | Closing price of the securities immediately before the date on which the options were granted HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Service providers | 11.04.14 | 11.04.15-11.04.17 | 11.04.14-10.04.24 | 1,500,000 | – | – | – | – | 1,500,000 | 13.20 | 12.60 |
| Service providers | 26.08.15 | 26.08.16-26.08.18 | 26.08.15-25.08.25 | 2,750,000 | – | – | – | – | 2,750,000 | 10.92 | 9.80 |

*Note:*

1. There is no minimum period for which such option granted must be held or performance target to be met before such share options can be exercised. As such, all share options are vested upon grant.

Given no new shares may be issued under the Share Award Scheme, the number of shares that may be issued in respect of options granted under all share schemes of the Company during the Reporting Period was 4,250,000 Shares, amounted to approximately 2.03% of the number of the shares in issued during the Reporting Period.

## Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business of the Group during the year 2022 are provided under Note 38 to the Consolidated Financial Statements. Some of the related party transactions are connected transaction under Chapter 14A of the Listing Rules but are fully exempt from relevant reporting requirements.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

## Corporate Governance

Details of the corporate governance are set out in the section headed “Corporate Governance Report” in this annual report.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the Reporting Period.

## Change of Auditors

An ordinary resolution to appointed Baker Tilly Hong Kong Limited as auditors of the Company following retirement of Crowe (HK) CPA Limited was passed at the annual general meeting of the Company held on 25 April 2022.

## Auditors

The financial statements have been audited by Baker Tilly Hong Kong Limited, Certified Public Accountants. A resolution for their re-appointment as the Company’s auditor for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

**Zhang Min**
*Executive Director and Chief Executive Officer*

Hong Kong, 31 March 2023

The Board of Directors (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2022.

## Corporate Governance Practices

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the "Group") to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with the code provisions as set out in the CG Code, except for code provision C.2.1 and details will be set out below.

## Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2022.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether the director is spending sufficient time performing them.

*Board Composition*

The Board currently comprises seven directors, consisting of one executive director, one non-executive director and five independent non-executive directors, as follows:

**Executive Directors**
Mr. Zhang Min *(Chief Executive Officer and Chairman of Business Risks Committee)*

**Non-executive Directors**
Mr. Tao Chun *(Member of the Remuneration and Nomination Committee)*

**Independent Non-executive Directors**
Mr. Lee Ka Wai *(Chairman of the Audit Committee and the Nomination Committee, member of Remuneration Committee and Business Risks Committee)*
Mr. Zhang Kun *(Chairman of the Remuneration Committee, member of Audit Committee, Nomination Committee and Business Risks Committee)*
Mr. Chan Chun Keung *(Member of the Audit Committee, Remuneration Committee, Nomination Committee and Business Risks Committee)*
Madam Zhan Lili *(Member of the Audit Committee, Remuneration Committee, Nomination Committee and Business Risks Committee)*
Mr. John Paul Ribeiro

The biographical information of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 15 of the annual report for the year ended 31 December 2022.

The relationships between the directors are disclosed in the respective director's biography under the section "Biographical Details of Directors and Senior Management" on pages 12 to 15.

*Chairman and Chief Executive Officer*

Code provision C.2.1 of CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Chan Yuk Ming held the office as Chairman of the Board until 16 December 2022. Mr. Zhang Min, the Chief Executive Officer, assumed the duties of Chairman of the Board temporarily immediate after the resignation of Mr. Chan Yuk Ming until a new Chairman has been selected. The delay in selecting the Chairman was due to recent reform of the Board and the Board is taking active steps to select a suitable Chairman to fulfill the CG Code.

The Board considers that the Chairman's responsibilities are to manage the Board whereas the Chief Executive Officer's responsibilities are to manage the Company's businesses. The responsibilities of the Chairman and the Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

### *Independent Non-executive Directors*

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

### *Appointment and Re-election of Directors*

All non-executive and independent non-executive directors of the Company are appointed for a specific term of 1 year.

Under the articles of association of the Company, at each annual general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. The Company's articles of association also provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring directors shall be eligible for re-election.

### *Responsibilities of the Directors*

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors arising out of corporate activities.

During the year ended 31 December 2022, a summary of training received by directors according to the records provided by the directors is as follows:

| Directors | Training on Corporate Governance, Regulatory Development and Other Relevant Topics |
|---|---|
| *Executive Directors* | |
| Dr. Cheung Chai Hong (Resigned on 17 December 2022) | ✓ |
| Mr. Zhang Min (Re-designated from non-executive director to executive director on 17 October 2022) | ✓ |
| *Non-executive Directors* | |
| Mr. Chan Yuk Ming *(Chairman)* (Resigned on 17 December 2022) | ✓ |
| Mr. Wu Xinjiang (Resigned on 13 March 2023) | ✓ |
| Mr. Fang Feiyue (Resigned on 17 October 2022) | ✓ |
| Mr. Tao Chun | ✓ |
| *Independent Non-executive Directors* | |
| Mr. Chan Chun Keung | ✓ |
| Dr. Zhang Xiao Jun (Resigned on 13 March 2023) | ✓ |
| Madam Zhan Lili | ✓ |
| Mr. Lee Ka Wai | ✓ |

## Board Committees

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, and Business Risks Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees and posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

*Audit Committee*

The Audit Committee currently comprises of Mr. Lee Ka Wai as the Chairman and Mr. Chan Chun Keung, Madam Zhan Lili and Mr. Zhang Kun as members, all of which are independent non-executive Directors.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held four meetings to discuss the interim results for the six months ended 30 June 2022, the final result for the year ended 31 December 2022 and significant issues on the financial reporting.

The Audit Committee also met the external auditors.

*Remuneration Committee*

The Remuneration Committee currently comprises of Mr. Zhang Kun as the Chairman, and Mr. Tao Chun, Mr. Chan Chun Keung, Mr. Lee Ka Wai and Madam Zhan Lili as members. Except for Mr. Tao Chun who is a non-executive Director, the Chairman and other members of the Remuneration Committee are all independent non-executive Directors.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting to review the remuneration package of executive directors and senior management for the year 2022.

*Nomination Committee*

The Nomination Committee currently comprises of Mr. Lee Ka Wai as the Chairman and Mr. Tao Chun, Mr. Chan Chun Keung, Madam Zhan Lili and Mr. Zhang Kun as members. Except for Mr. Tao Chun who is a non-executive Director, the Chairman and other members of the Nomination Committee are all independent non-executive Directors.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held one meeting to consider and recommend to the Board the appointment of a new executive director for the year 2022.

The Nomination Committee is chaired by the chairman of the Board and comprises a majority of independent non-executive directors.

### *Business Risks Committee*

The Business Risks Committee currently comprises of Mr. Zhang Min, an executive Director and the Chairman of the Board, as the Chairman and Mr. Lee Ka Wai, Mr. Chan Chun Keung, Madam Zhan Lili and Mr. Zhang Kun, all of which are independent non-executive Directors, as members.

The primary responsibility of the Business Risks Committee is to approve any loan, investment or guarantee transaction exceeding the sum of RMB30,000,000, other then notifiable transactions and connected transactions as defined by the Listing Rules which are approved by the Board. The Business Risks Committee reviews judgements of the loan approval committee and determines whether the proposed investment project is in the interests of the Company and shareholders of the Company as a whole. The Business Risks Committee is formed on 22 November 2022.

*Board Diversity Policy*

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board has adopted measurable objectives to implement the Board Diversity Policy as follows:

- There is at least one female member in the Board;

- At least one independent non-executive Director in the Board shall reside in Hong Kong;

- At least one financial expert in the Board shall have the professional qualifications and experience in finance and audit recognized by the regulatory authorities;

- The number of non-executive Directors (including independent non-executive Directors) in the Board shall account for more than half of the Board members, and the number of independent non-executive Directors shall account for one-third of the Board members;

- The age composition of Directors is reasonable. Among the existing seven Directors, four aged 31-50, two aged 51-70 and one aged over 70.

The Board will review such objectives from time to time to ensure their appropriateness.

As at the year ended 31 December 2022, the Board consisted of six male Directors and one female Director. As such, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any further measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

*Director Nomination Policy*

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee reviews the resumes and qualifications of candidates for new Directors and makes recommendations to the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

In December 2021, the Hong Kong Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code, Appendix 14 of the Listing Rules and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. The new requirements under the amended Corporate Governance Code have been adopted by the Group as our corporate governance practices.

## Cultures and Values

A healthy corporate culture has been developed by the Board to ensure that the Company's vision, values and strategy are aligned to it.

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the Group's employee consolidated handbook (including therein the Group's code of conduct, the anti-corruption policy and the whistleblowing policy of the Group etc..) Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

The Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

## Anti-corruption, Laws and Regulations

The Group's code of conduct and anti-corruption policy was introduced in September 2022. The policy covers activities such as bribery, anti-corruption, offer and acceptance of advantages, conflict of interest, entertainment and gratuities, the Group's expectations and requirements of business ethics, as well as investigation and reporting mechanism of suspected corruption practices. Any convicted cases will be reported to the Whistleblowing Screening Committee, or to the board and/or chairman directly, depending on the target of the whistleblowing.

## Gender Diversity

The Board currently comprises seven Directors, consisting of one female Director and six male Directors. Gender diversity at workforce levels is disclosed in the Management Discussion and Analysis section in this annual report. The Company will adhere to the principle of gender diversity at all employee levels and will appropriately consider increasing the proportion of female members in future elections, hirings and promotions.

## Whistleblowing Policy and System

The Group's whistleblowing policy was adopted in September 2021. Any convicted cases will be adopted to the Whistleblowing Screening Committee, or to the board and/or chairman directly, depending on the target of the whistleblowing.

### *Corporate Governance Functions*

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

### *Board Meetings and Directors' Attendance Records*

The Board held twelve regular board meetings during the year ended 31 December 2022 for transacting company's business and the matters related to the Incidents.

## Attendance Records of Directors

The attendance record of each director at the Board and sub-committee meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **Business Risks Committee** |
| Zhang Min[1] | 16/17 | – | – | – | – |
| Cheung Chai Hong (Resigned on 17 December 2022) | 14/17 | – | – | – | – |
| Chan Yuk Ming (Resigned on 17 December 2022) | 12/17 | – | – | – | – |
| Chan Chun Keung | 15/17 | 3/4 | 1/1 | 1/1 | – |
| Zhang Xiao Jun | 2/17 | – | – | – | – |
| Zhan Lili | 15/17 | 4/4 | – | 1/1 | – |
| Lee Ka Wai | 13/17 | 4/4 | 1/1 | – | – |
| Fang Feiyue (Resigned on 17 October 2022) | 12/17 | – | – | – | – |
| Wu Xinjiang | 9/17 | 3/4 | – | – | – |
| Tao Chun | 14/17 | – | – | – | – |

(1) Zhang Min was redesignated as an executive director of the Company on 17 October 2022.

Mr. Zhang Min and Mr. Lee Ka Wai attended the annual general meeting held on 25 April 2022. The other directors were unable to attend due to other work commitment.

## Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records, risk management control and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis. A bottom-up approach was employed for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The key elements of the risk management and internal control systems of the Company include the establishment of a register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure procedures which provide a general guide to the Company's directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Board and the management of the Company takes all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. In the event that there is evidence of any material violation of the procedure, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

## Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 75 to 80.

## Auditors' Remuneration

During the year under review, the remuneration paid to the auditors of the Group, is set out below:

| Service Category | Fees Paid/ Payable |
|---|---|
| Audit Services | HK$2,650,000 |
| Non-Audit Service | HK$235,000 |
| | HK$2,885,000 |

## Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### *Convening a General Meeting*

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for convening a general meeting.

### *Putting Forward Proposals at General Meetings*

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for circulating a resolution for annual general meeting.

### *Putting Forward Enquiries to the Board*

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## Contact Details

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

| | |
|---|---|
| Address: | Suite 5606, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (For the attention of the Company Secretary) |
| Fax: | (852) 2598 8305 |
| Email: | 0605IR@cfsh.com.hk |

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

## Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has adopted a Shareholders' Communication Policy to ensure Shareholders and investment community have simultaneous access to the information relating to the Company's financial performance, strategic goods and plans, material development of its business corporate exercises and governance issues. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the chairman of the Board and the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Business Risks Committee are available to meet shareholders and answer their enquiries. The Company has reviewed the implementation of the Shareholders' Communication Policy in 2022 and considers that the Shareholders' Communication Policy has been effectively implemented.

The Company has adopted new articles of association on 25 April 2022. An up to date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

## Policies relating to Shareholders

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

On behalf of the Board
**Zhang Min**
*Executive Director and Chief Executive Officer*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Introduction

China Financial Services Holdings Limited ("the Company") and its subsidiaries (collectively "the Group") are one of the leading integrated financial services providers in Mainland China and Hong Kong. The Group mainly engages in the provision of one-stop financing services to small and medium enterprises, micro-enterprises and individuals.

The Group has been established to provide customised financial solutions to small and medium-sized enterprises ("SMEs") in Hong Kong and Mainland China for over ten years. As a responsible corporation, the Group understands that it plays a part in promoting sustainability in the financial services industry and has therefore incorporated sustainability elements into its business operations. Looking forward, the Group aims to build stronger relationships with its stakeholders to formulate its sustainability strategy.

This Environmental, Social, and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performance of the Group and demonstrates its commitment to sustainable development for the year ended 31 December 2022 (the "Reporting Period" or "2022"). Relevant comparisons would be made between the data from the Reporting Period and the year ended 31 December 2021 ("2021").

The Group believes sustainability is the key to achieving continued success and has integrated this concept into our business strategy. We constantly monitor the risks and explore potential opportunities within the Group. To strike a balance among business needs, social demands, and environmental impacts, we are committed to continuously monitoring the risks and opportunities that exist in our daily operations and embracing a transparent corporate culture to ensure our sustainability strategies are well communicated to our stakeholders.

### *The ESG Governance Structure*

The Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process. To achieve this goal, the Group has developed a framework to ensure ESG governance is aligned with its strategic growth while advocating for the integration of ESG into its business operations. The Group manages its ESG issues by employing a top-down management approach, which consists of the Board of Directors (the "Board") and the ESG taskforce (the "Taskforce").

The Board is responsible for overseeing the Group's ESG-related issues and formulating its ESG strategies. In order to better manage the Group's ESG-related issues, the Board examines and approves the Group's ESG risks and opportunities, priorities, policies and frameworks, performance, goals, and targets with the assistance of the Taskforce. Based on the recommendations from the Taskforce, the Board also reviews the progress towards achieving the ESG-related goals and targets as well as the effectiveness of its management approach and strategy. Besides, the Board ensures the effectiveness of ESG risk management and internal control mechanisms.

The Taskforce, comprising staff from relevant departments, is set up to systematically manage the Group's ESG issues. The Taskforce is responsible for collecting relevant ESG data, monitoring the Group's ESG performance, prioritising material ESG issues, and reviewing ESG-related policies, risks, and management approaches. The Taskforce reports to the Board periodically for the evaluation and subsequent implementation or revision of the Group's ESG strategies and internal control mechanisms.

## Reporting Scope

The management of the Group identifies the reporting scope based on the materiality principle and considers the core business and main revenue source. This ESG Report includes the Group's business activities in the offices in Beijing, Chengdu, Chongqing, Shenzhen and Hong Kong. Data related to the ESG key performance indicators ("KPIs") was gathered and analysed from subsidiaries that are under the Group's direct operational control.

## Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information relating to the Group's corporate governance practices will be stated under Corporate Governance Report on pages 27 to 41.

The Group attaches great importance to the reporting principles of materiality, quantitative and consistency. During the preparation for this ESG Report, the Group has applied these reporting principles in the aforementioned ESG Reporting Guide as follows:

Materiality: A materiality assessment was conducted to diagnose material ESG issues in 2022, thereby adopting the confirmed material issues as the focus of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board and the Taskforce. Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" for further details.

Quantitative: The standards and methodologies used in the calculation of relevant data in the ESG Report and the applicable assumptions were disclosed. The KPIs were supplemented by explanatory notes to establish benchmarks where feasible.

Consistency: The statistical methodologies applied to this ESG Report were substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies. If there are any changes that may affect comparison with previous reports, the Group will add comments to the corresponding content of this ESG Report.

The Group has established internal controls and a formal review process to ensure that all information presented in this ESG Report is as accurate and reliable as possible. This ESG Report has been approved by the Taskforce and the Board.

## Reporting Period

The ESG Report describes the ESG activities, challenges and measures taken by the Group from 1 January 2022 to 31 December 2022.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Chairman's Statement

Dear Stakeholders,

On behalf of the Board of the Group, I am pleased to present the ESG Report of China Financial Services Holdings Limited for the year ended 31 December 2022, which provides an annual update on the ESG performance of the Group.

Sustainability is a vital aspect of the long-term success of a business. The Group has therefore incorporated sustainable development into its strategy and built an effective governance structure, namely the Board and the Taskforce, to monitor and review the ESG-related issues of the Group. The risk management and internal control frameworks provide a structured approach for the Board to formulate policies and ensure effective execution. More information about the Group's governance structure is stated in the section headed "The ESG Governance Structure". The Group continuously communicates with its stakeholders to understand their concerns and fulfil their expectations. In order to identify and assess the material concerns of the Group's stakeholders, the Group has conducted materiality assessment surveys through stakeholder engagement. The assessment helped us determine the factors that have material impacts on the Group's sustainable growth and incorporate them in the development of its ESG strategies and targets.

To fulfil the Group's commitment to corporate social responsibility and allow the Group's stakeholders to better understand the Group's progress in improving ESG performance, the Group also sets various ESG-related targets on relevant KPIs. In response to national decarbonisation goals, the Group has put forward four environmental targets in the areas of energy, water, waste, and greenhouse gas ("GHG") management. The environmental targets were approved by the Board and the progress will be reviewed by the Taskforce annually. The Taskforce makes full use of the available ESG data to compare the performance between different years and report to the Board periodically.

In closing, I would like to express my gratitude to my fellow directors, the management team, all employees, and all stakeholders for their contributions to the Group's sustainable development.

**Zhang Min**
*Executive director & Chief Executive Officer*

## Stakeholder Engagement

Stakeholder participation is an essential part of formulating the Group's business strategy and approach to sustainability. Therefore, the Group adopts an open and ready attitude when communicating with its key stakeholders, such as governments and regulatory authorities, shareholders and investors, employees, customers, suppliers, banks, the media and the public.

Through a wide range of communication channels and engagement methods, the Group seeks to further understand the relative interests and priorities of each stakeholder category and make appropriate and necessary adjustments to the Group's decision-making process. A list of communication channels that the Group uses to engage directly with its stakeholders is shown below:

| Stakeholders | Communication Channels | Expectations |
|---|---|---|
| Governments and regulatory authorities | • Regular reports and announcements<br>• Written or electronic correspondences<br>• Supervision on local laws and regulations | • Compliance with local laws and regulations<br>• Stability in business operations |
| Shareholders and investors | • General meeting and other shareholder meetings<br>• Annual and interim reports<br>• Regular reports and announcements<br>• Company website | • Sustainable profitability<br>• Shareholder return<br>• Corporate governance<br>• Compliance with local laws and regulations |
| Employees | • Training, seminars and briefings<br>• Performance reviews<br>• Intranet<br>• Regular meetings | • Remuneration, compensation and benefits<br>• Fair and competitive employment<br>• Safe working environment<br>• Employees' development and training |
| Customers | • Customer service hotlines and emails<br>• Face-to-face meetings<br>• Company website | • High-quality products and services<br>• Rapid responses and customer satisfaction<br>• Protection of customers' interests and privacy |

| Stakeholders | Communication Channels | Expectations |
|---|---|---|
| Suppliers | • Supplier satisfaction assessments<br>• Face-to-face meetings<br>• On-site visits | • Fair and open procurement<br>• Win-win cooperation<br>• Stable business relationship |
| Banks | • Post-loan tracking<br>• On-site visits<br>• Work conferences | • On-time loan repayment<br>• Honest and credible operation<br>• Close monitoring of operating conditions |
| The media and the public | • ESG reports<br>• Company website<br>• Regular reports and announcements<br>• Social media | • Transparency of financial and ESG-related disclosures<br>• Compliance with local laws and regulations<br>• Community services<br>• Environmental protection |

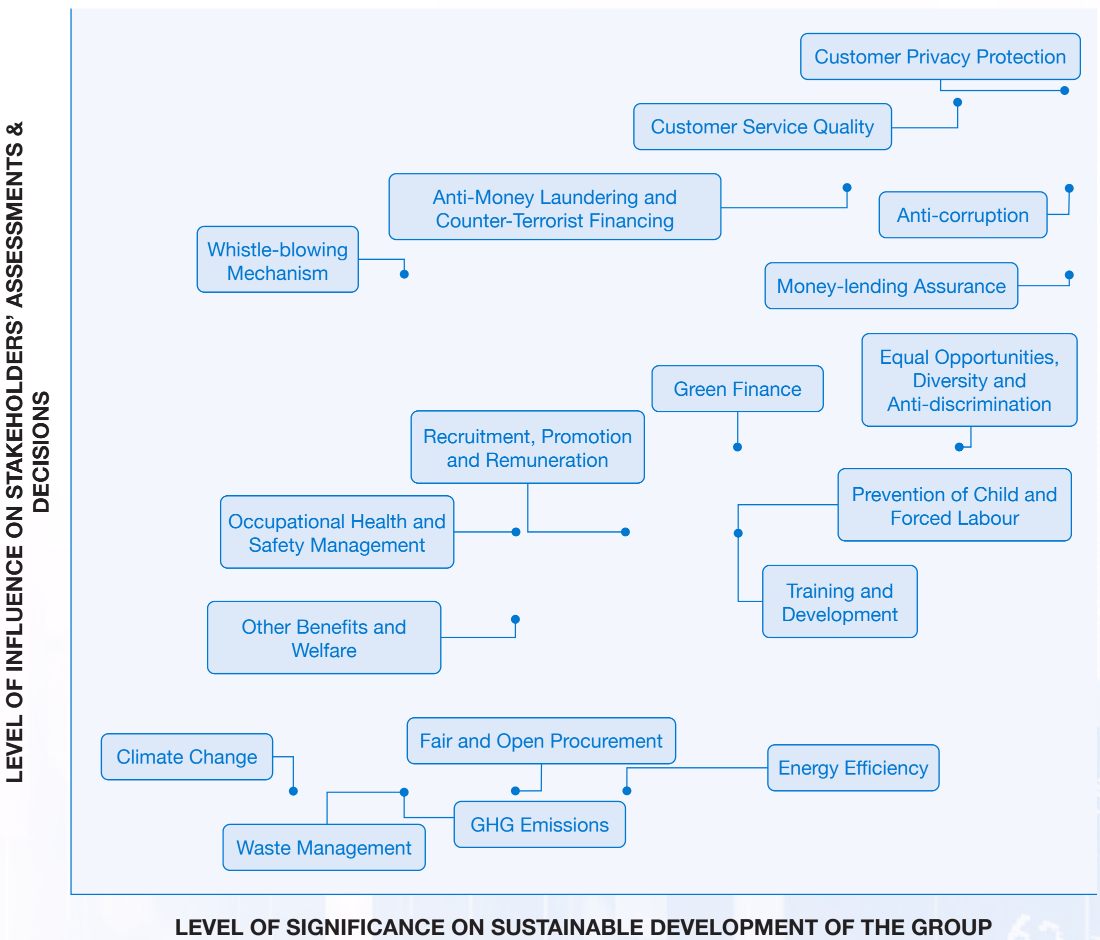
The Group firmly believes that in the long run, the contributions of its stakeholders will prove to be beneficial for improving identified ESG issues while addressing potentially overlooked ESG issues.

## Materiality Assessment

Materiality assessment is the process of identifying, refining and assessing ESG issues that could affect the Group's business and its stakeholders. The results of materiality assessment are used to formulate strategies, set targets, and determine the focus of ESG reports. Materiality assessment enables the Group to analyse business risks and opportunities, supporting the sustainable development of its businesses.

With the assistance of the Group's management and the Taskforce, the Group identified the list of material ESG issues for the Group, based on its business, the ESG Reporting Guide, and the analysis of industry peers. To prioritise the identified material ESG issues, the Group conducted a materiality assessment survey during the Reporting Period. Management and employees of different business units and departments were invited to evaluate the significance of the identified ESG issues to the stakeholders and the Group's business. Based on the results of the survey, the Group compiled the materiality matrix, where the material topics were analysed and prioritised.

**Materiality Matrix**




The results of the materiality assessment were reviewed and validated by the Taskforce, and then approved by the Board.

## Contact Us

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice with respect to the ESG Report or the Group's performance in sustainable development by writing to Room 5606, 56/F, Central Plaza, No. 18 Harbour Road, Wan Chai.

## A. Environmental

### *A1. Emissions*

The Group is principally engaged in the provision of integrated short-term financing services, comprising short-term financing, funds management-related services and consultancy services. As a result, the Group has a limited impact on the environment given its office-based business nature. Nevertheless, it recognises that environmental protection must be done collectively since individual efforts of business entities are equally important. The Group has established relevant policies to protect and improve its environmental performance, and the Group is committed to maintaining or improving existing policies to mitigate potential direct and indirect negative environmental impacts arising from its business operations.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Waste Disposal Ordinance of Hong Kong, the Environmental Protection Law of the People's Republic of China, the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Prevention and Control of Atmospheric Pollution of the People's Republic of China.

#### *Air Emissions*

Due to the Group's business nature, we do not engage in any industrial production or possess any manufacturing facilities. Therefore, the Group's major source of emissions is generated from the petrol consumption of company vehicles. Guidelines on the efficient use of fuel will be described in the section headed "GHG Emissions" under this aspect.

Summary of air emission performance:

| Types of Exhaust Gas | Unit | 2022 | 2021 |
|---|---|---|---|
| Nitrogen Oxides ($NO_x$) | kg | **4.04** | 11.09 |
| Sulphur Oxides ($SO_x$) | kg | **0.36** | 3.61 |
| Particulate Matter (PM) | kg | **0.30** | 0.82 |

*GHG Emissions*

The principal GHG emissions of the Group are generated from the petrol consumption of company vehicles (Scope 1) and purchased electricity (Scope 2). To minimise the environmental impacts of GHG emissions from the Group's business operations, the Group has set a target in 2021 to reduce 3% of the GHG emission intensity ($tCO_2e$/employee) by the year ended 31 December 2025 ("2025"), using 2021 as the baseline year. To achieve the target, the Group has adopted the following measures:

Scope 1 – Direct GHG Emissions

The Group has established clear guidelines to ensure the efficient use of fuel and reduce direct GHG emissions from petrol consumption in its operations, as shown below:

- Plan routes ahead of time to optimise fuel consumption;
- Switch off the engine whenever the vehicle is idling; and
- Conduct regular vehicle maintenance to ensure optimal engine performance and fuel use.

Scope 2 – Energy Indirect GHG Emissions

The Group's largest source of GHG emissions arises from the use of purchased electricity. Electricity consumption accounts for the total indirect GHG emissions within the Group. In an effort to reduce energy consumption, the Group has initiated energy-saving measures, which will be described in the section headed "Energy Efficiency" under aspect A2.

The total GHG emissions intensity ($tCO_2e$/employee) decreased significantly from approximately 4.05 in 2021 to approximately 0.83 in 2022. The decrease in total GHG emissions intensity was mainly due to a decrease in business-related travel due to COVID-19. The Group has thus achieved its target ahead of schedule, and has set a new target to reduce total GHG emission intensity gradually by the year ended 31 December 2026 ("2026"), using 2022 as the baseline year.

Summary of GHG emission performance:

| Indicator[1] | Unit[2] | 2022 | 2021 |
|---|---|---|---|
| Scope 1 – Direct GHG Emissions | $tCO_2e$ | 65.86 | 653.84 |
| • Petrol consumed by vehicles | | | |
| Scope 2 – Energy Indirect GHG Emissions | $tCO_2e$ | 55.87 | 80.00 |
| • Purchased electricity | | | |
| **Total GHG Emissions** | **$tCO_2e$** | **121.73** | 733.84 |
| **Total GHG Emission Intensity[3]** | **$tCO_2e$/employee** | **0.83** | 4.05 |

Note(s):

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development; “How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the “Global Warming Potential Values” from the Fifth Assessment Report, (AR5) of the Intergovernmental Panel on Climate Change (IPCC) (2014); the Notice on the Management of Enterprise Greenhouse Gas Emission Reporting by the Power Generation Industry published by the Ministry of Ecology and Environment of the People’s Republic of China; and the Sustainability Report 2022 published by HK Electric.

2. $tCO_2e$ is defined as tonnes of carbon dioxide equivalent.

3. As at 31 December 2022, the Group had approximately 146 (as at 31 December 2021: 181) full-time employees. The data is also used for calculating other intensity data.

*Discharges into Water and Land*

Due to the Group’s business nature, discharges into land were insignificant. Similarly, there was no significant and unreasonable amount of sewage water discharged; used water is discharged through the municipal sewage network to the regional water treatment plant.

*Waste Management*

Hazardous Waste Handling

Due to the Group’s business nature, only a small amount of hazardous waste was generated by the Group during the Reporting Period. Nevertheless, in order to minimise our environmental impacts, the Group has implemented recycling incentives for office waste such as ink cartridges and electronic equipment. All hazardous wastes were properly collected and disposed of by qualified third parties during the Reporting Period.

Summary of hazardous waste disposal performance:

| Indicator | Unit | 2022 | 2021 |
|---|---|---|---|
| Ink Cartridges | kg | **57.00** | 63.36 |
| LED Lamps | kg | **26.00** | 21.00 |
| **Total Hazardous Waste** | **kg** | **83.00** | 84.36 |
| **Total Hazardous Waste Intensity** | **kg/employee** | **0.57** | 0.47 |

### *Non-hazardous Waste Handling*

The majority of non-hazardous waste generated by the Group was office paper. To minimise the environmental impacts of non-hazardous waste generated from the Group's business operations, the Group has set a target in 2021 to reduce the total paper waste intensity (tonnes/employee) by 2026, using 2021 as the baseline year. To achieve the target, the Group has encouraged sustainable behavioural changes among its employees.

Green measures include, but are not limited to, the following:

- Recycle single-sided office paper;
- Adopt double-sided printing or photocopying;
- Encourage digitalisation to promote a paperless working environment;
- Print electronic correspondences only when necessary; and
- Recycle obsolete office and electronic equipment.

During the Reporting Period, the Group's total non-hazardous waste intensity (tonnes/employee) decreased from approximately 0.11 in 2021 to approximately 0.02 in 2022. The decrease in total non-hazardous waste intensity was mainly due to increased employee awareness of waste reduction. The Group is currently on track to achieve its aforementioned target, and will continue to raise employees' awareness of waste reduction in the future.

Summary of non-hazardous waste disposal performance:

| Indicator | Unit | 2022 | 2021 |
|---|---|---|---|
| Office Paper[4] | tonnes | **2.37** | 19.95 |
| **Total Non-hazardous Waste** | **tonnes** | **2.37** | 19.95 |
| **Total Non-hazardous Waste Intensity** | **tonnes/employee** | **0.02** | 0.11 |

Note(s):

4. During 2022, approximately 0.32 (2021: 4.80) tonnes of paper were recycled.

## *A2. Use of Resources*

The Group aims to actively promote resource efficiency and timely monitor the potential environmental impacts of its business operations, and has therefore formulated the "Construction Green Operation" (《建構綠色運營》). Through keeping track of ESG-related KPIs and continuing the Group's internal monitoring programme on the procurement and use of resources, the Group has identified that the major resources consumed were petrol, electricity, water, and paper. Therefore, the Group deemed the existing policies and procedures effective in governing the usage of these resources.

### *Energy Efficiency*

The Group believes that all branches of the Group, including its subsidiaries and departments, should be unified in committing to reducing the Group's environmental impacts. Therefore, a detailed internal policy was set out to require all subsidiaries of the Group to comply with the Group's energy-saving policy. To minimise the environmental impacts of energy consumption from the Group's business operations, the Group has set a target in 2021 to reduce the total energy consumption intensity (MWh/employee) by 2026, using 2021 as the baseline year. To achieve the target, the Group strives to further reduce energy consumption by strictly following the energy-saving measures below:

- Pre-set the office's air-conditioning temperature;
- Adopt lighting control systems that operate based on actual demand;
- Switch off unnecessary lighting and electrical appliances when not in use;

- Promote the use of teleconferences or video conferences;
- Purchase energy-efficient replacements for obsolete equipment;
- Set all computer screens and printers to standby mode after a certain period;
- Post eye-catching stickers on energy efficiency as a reminder to employees;
- Reduce the frequency of unnecessary business air travel; and
- Encourage employees to utilise public transportation where possible.

The total energy consumption intensity (MWh/employee) decreased from approximately 13.70 in 2021 to approximately 2.28 in 2022. The decrease in total energy consumption intensity was mainly due to a decrease in business-related travel due to COVID-19. The Group is currently on track to achieve its aforementioned target, and will continue to raise employees' awareness of the importance of reducing energy consumption through the implementation of the aforementioned measures.

Summary of energy consumption performance:

| **Types of Energy** | **Unit** | **2022** | 2021 |
|---|---|---|---|
| Direct Energy Consumption[5] | MWh | **239.96** | 2,382.27 |
| • Petrol | | | |
| Indirect Energy Consumption | MWh | **93.35** | 98.28 |
| • Electricity | | | |
| **Total Energy Consumption** | **MWh** | **333.21** | 2,480.55 |
| **Total Energy Consumption Intensity** | **MWh/employee** | **2.28** | 13.70 |

Note(s):

5. The unit conversion method of energy consumption data is formulated based on the Energy Statistic Manual issued by the International Energy Agency.

*Water Consumption*

Due to the Group's business nature, the water usage is limited to water used by employees at the offices. Despite the fact that the water usage was negligible, the Group continues to promote the importance of water conservation to its employees. To minimise the environmental impacts of water consumption from the Group's business operations, the Group has set a target in 2021 to reduce 3% of the total water consumption intensity ($m^3$/employee) by 2025, using 2021 as the baseline year. To achieve the target, the Group has implemented a list of water conservation measures, as shown below:

- Post banners around the office with messages to raise awareness of water conservation;
- Regularly inspect water taps to prevent leakage;
- Install dual-flush water cisterns in toilets; and
- Install aerators in washroom faucets.

The Group did not encounter any issues in sourcing water that was fit for purpose and did not note any abnormal water usage in 2022.

The total water consumption intensity ($m^3$/employee) decreased significantly from approximately 6.00 in 2021 to approximately 1.91 in 2022 due to the implementation of effective water-saving measures and special working arrangements under the COVID-19 pandemic. The Group has thus achieved its target ahead of schedule, and has set a new target to reduce total water consumption intensity ($m^3$/employee) gradually by 2026, using 2022 as the baseline year.

Summary of water consumption performance:

| **Indicator** | **Unit** | **2022** | 2021 |
|---|---|---|---|
| **Total Water Consumption** | **$m^3$** | **279.15** | 1086.51 |
| **Total Water Consumption Intensity** | **$m^3$/employee** | **1.91** | 6.00 |

*Use of Packaging Material*

Due to the Group's business nature, the use of packaging material is not considered a material ESG issue for the Group.

### *A3. The Environment and Natural Resources*

As part of its ongoing commitment to good corporate social responsibility, the Group seeks to reduce the negative environmental impacts of its daily business operations while also providing a more pleasant working environment for its employees.

*Indoor Air Quality*

Indoor air quality in the offices is regularly measured and monitored. During the Reporting Period, the indoor air quality of the Group's offices was satisfactory. Air-purifying equipment is used in offices, and the air conditioning system is cleaned periodically to improve indoor air quality by filtering pollutants, contaminants, and dust particles.

*Green Finance*

As financial investors become more aware of sustainability elements in financial investments, the Group is in the process of establishing a sustainable development framework. The Group sees opportunity in the fast-growing green finance sector following the adoption of the "One Belt, One Road" national development strategy. To this end, the Group has established "Guidelines for Establishing a Green Finance System" (《關於構建綠色金融體系的指導意見》) to promote green finance. The Group provides bespoke financing options for green finance-related enterprises through its internal risk management system.

The group also encouraged its employees to use sustainable development performance as an investment criterion, and provided the following advice:

- No investments in enterprises with serious environmental pollution and impacts;
- No investments in enterprises with outdated technology; and
- No investments in enterprises with safety hazards.

The Group believes that enterprises that place great emphasis on sustainable development sustain lower operational risks, which in turn lower the risk of the Group's investment portfolio and generate a more stable return for the Group.

*A4. Climate Change*

The Group is committed to managing the potential climate-related risks that may impact its business activities. The Group incorporates ESG-related risks, such as climate risks, into its risk management system to identify and mitigate risks that may affect the Group. The Group has also conducted a climate change assessment and identified risks and opportunities as suggested by the climate change-related information disclosure framework of the Task Force on Climate-related Financial Disclosures ("TCFD"). The Group keeps refining its management measures based on the findings and has established relevant policies that outline the Group's management on climate issues to minimise its carbon footprint.

Through the above methods, the following climate risks and opportunities that may relate to the Group's business and operation activities were identified:

*Physical Risks*

Changes in weather patterns and the increased severity of extreme weather events such as typhoons, storms, and heavy rainstorms may lead to disruptions to the Group's business operations, damaging the power grid and infrastructure, hindering and injuring its employees during their work, leading to reduced capacity and decreased productivity, or exposing the Group to risks associated with delayed performance, therefore adversely affecting our profitability. In the event of such an emergency incident, the Group will closely follow the latest weather news and advice released by the government. Moreover, the Group regularly reviews and updates policies in relation to crisis response and business continuity to ensure that in the event of an emergency incident, the relevant risks are minimised and core business functions can be performed as usual.

*Transition Risks*

The Group anticipates that there will be more stringent climate legislation and regulations to support the global vision of carbon neutrality. For example, in the low-carbon economy, stakeholders expect companies to take more actions in response to climate change and increase transparency in information disclosure. If companies fail to respond appropriately to the aforementioned stakeholder appeal, their reputation will be jeopardised. Such changes may also increase the Group's costs and burden for compliance and commitment, which may materially and adversely affect its business operations and financial performance. In response to the potential policy and legal risks as well as the reputational risks, the Group regularly monitors existing and emerging trends, policies, and regulations relevant to the industry and is thus prepared to alert the top management where necessary to avoid cost increments, non-compliance fines, and/or reputational risks due to delayed responses.

*Opportunities*

Under a favourable policy environment of carbon neutrality, companies engaged in energy conservation and environmental protection will demonstrate greater financing demand. Therefore, green finance will become increasingly popular in the market. The Group will align with these policies and provide more green finance solutions in the market. Further information can be found in the section headed "Green Finance" under aspect A3.

## B. Social

### *B1. Employment*

Employees are the most valuable asset of the Group and are the foundation of the Group's success. In order to create sustainable growth for the Group, good recruitment and retention practices must be enforced to maintain or expand the talent pool. In addition, the Group is dedicated to the principles of "respecting the committed, utilising the competent, nurturing the aspiring, and incentivizing the innovative"(「尊重敬業之士、任用有才之士、培養有志之士、獎勵創新人才」) when making human resource adjustments.

During the Reporting Period, the Group was not aware of any material non-compliance with employment related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong, the Sex Discrimination Ordinance of Hong Kong, the Disability Discrimination Ordinance of Hong Kong, the Family Status Discrimination Ordinance of Hong Kong, the Race Discrimination Ordinance of Hong Kong, the Law on the Protection of Women's Rights and Interests of the People's Republic of China, the Law of the People's Republic of China on the Protection of Persons with Disabilities, the Labour Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Company Law of the People's Republic of China, and the Labour Contract Law of the People's Republic of China.

As at 31 December 2022, the Group has approximately 146 employees (as at 31 December 2021: 181), 137 of whom are full-time employees, and the rest are part-time employees. The breakdown of employees according to gender, age group, and geographical region is as follows:

| | 2022 | 2021 |
|---|---|---|
| **By Gender** | | |
| Male | 72 | 95 |
| Female | 74 | 86 |
| **By Age Group** | | |
| 16 to 24 Years Old | 1 | 2 |
| 25 to 40 Years Old | 88 | 128 |
| 41 to 59 Years Old | 55 | 49 |
| 60 Years Old or Above | 2 | 2 |
| **By Geographical Region** | | |
| Hong Kong | 37 | 37 |
| Beijing | 52 | 84 |
| Chongqing | 1 | 1 |
| Chengdu | 34 | 41 |
| Shenzhen | 22 | 18 |
| **By Employee Category** | | |
| Management | 21 | 51 |
| General Staff | 125 | 130 |

During the Reporting Period, the Group's overall full-time employee turnover rate was approximately 45.26% (2021: 34.70%)[6]. The following table shows the employee turnover rate by gender and age group.

| Turnover Rate[7] | Unit | 2022 | 2021 |
|---|---|---|---|
| **By Gender** | | | |
| Male | Percentage | **46.71** | 43.00 |
| Female | Percentage | **43.75** | 25.60 |
| **By Age Group** | | | |
| 16 to 24 years old | Percentage | **66.67** | 200.00 |
| 25 to 40 years old | Percentage | **42.59** | 32.90 |
| 41 to 59 years old | Percentage | **48.08** | 34.90 |
| 60 years old or above | Percentage | **100.00** | 40.00 |
| **By Geographical Region** | | | |
| Hong Kong | Percentage | **43.24** | 49.40 |
| Beijing | Percentage | **58.82** | 36.10 |
| Chongqing | Percentage | **–** | 142.90 |
| Chengdu | Percentage | **32.00** | 22.20 |
| Shenzhen | Percentage | **30.00** | – |
| **By Employee Category** | | | |
| Management | Percentage | **16.67** | 7.50 |
| General Staff | Percentage | **53.33** | 44.20 |

Note(s):

6. The overall employee turnover rate is calculated by dividing the total number of employees leaving employment during the reporting period by the average number of employees at the beginning and end of the reporting period.

7. The employee turnover rate for each category is calculated by dividing the number of employees leaving employment in the specified category during the reporting period by the average number of employees in the specified category at the beginning and end of the reporting period.

Relevant employment policies are formally documented in the Employee Handbook, covering recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. Policies and employment practices are periodically assessed and updated, if necessary, to ensure continuous improvement of the Group's employment standards and competitiveness against companies in similar industries.

*Recruitment, Promotion, and Remuneration*

The Group strives to ensure that each employee receives a fair and just assessment of their performance during recruitment and day-to-day work and is rewarded according to their achievements and contributions. Policies on performance appraisal, promotion, and remuneration have been established. The Group is committed to promoting equal opportunities and diversity in recruitment. Employees are recruited via a robust, transparent, and fair recruitment process based on their merits and their potential to fulfil the Group's current and future needs.

Remuneration and promotion are based on job-related skills, qualifications, and performance. The Group conducts an annual performance and salary review to determine any salary adjustments, performance bonuses, and/or promotion opportunities. Remuneration packages include variable bonuses, annual leave, maternity leave, paternity leave, birthday leave, marriage leave, bereavement leave, etc. The Group has also established the Performance Appraisal System (《績效考核制度》), the Business Post Salary Standard and Appraisal Scheme (《業務崗薪酬標準及考核方案》), and the Remuneration System (《薪酬制度》) for policies on promotions, appraisals and remuneration for its employees.

*Compensation and Dismissal*

The Group offers fair compensation packages for employees based on employee capabilities and industry standards. In addition, the Group complies with the Employees' Compensation Ordinance of Hong Kong and the Labour Law of the People's Republic of China, which both provide coverage for employees injured by accidents or contracted diseases while working.

Unreasonable dismissal under any circumstances is prohibited. Dismissal would be based on reasonable and lawful grounds supported by internal policies. Before dismissal, verbal or written warnings will be issued to provide employees with a fair opportunity for improvement. If no improvement is noted, the Group shall then consider dismissal only upon receiving dismissal instructions from the relevant department.

*Equal Opportunity, Diversity, and Anti-discrimination*

The Group believes that its sustainable development can be improved by recruiting talents from different backgrounds, regardless of their gender, age, sexual orientation, or religious backgrounds. The Group is committed to creating and maintaining an inclusive and collaborative workplace culture. Furthermore, the Group is dedicated to providing equal opportunities in all aspects of employment and strictly prohibits any activities associated with discrimination, physical or verbal harassment based on race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, or sexual orientation. The Group strives to protect its employees by ensuring that complaints, grievances, concerns, and whistle-blowing are promptly and confidentially dealt with. The Group has complied with the relevant laws and regulations relating to equal opportunity, diversity, and anti-discrimination.

*Other Benefits and Welfare*

The Group actively seeks to introduce additional benefits and welfare to encourage retention, foster a sense of belonging, and enhance job satisfaction. Currently, the Group provides monthly birthday celebrations, birthday leave, medical schemes, and festive meals or gifts. The Group also provides travel allowances for employees during their rest period.

The Group aims to enhance team cohesion by introducing a number of team-building activities, including a basketball team and a yoga team, and has held badminton competitions before the COVID-19 pandemic. In addition, the Group understands the importance of rest and has therefore designated a rest area at its offices. Reading groups are also held to unleash employees' potential and interests outside the realm of work.

*Working Hours and Rest Periods*

The Group has formulated the Employee Overtime, Travel and Leave System (《員工加班、出差及假期制度》) for determining the working hours and rest periods for employees according to local employment laws. An 8 hour work day is applied to office staff. Overtime work due to an increased workload must receive permission from management, and overtime wages will be paid in accordance with the Labour Law of the People's Republic of China.

## *B2. Health and Safety*

The Group shoulders the responsibility of maintaining a safe and healthy working environment for all its employees and is committed to protecting their wellbeing. Local laws and regulations are being complied with, and occupational health and safety guidelines recommended by the Labour Department and the Occupational Safety and Health Council of Hong Kong have been adopted.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong, the Labour Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Prevention and Treatment of Occupational Diseases Law of the People's Republic of China, and the Fire Protection Law of the People's Republic of China. There were no work-related fatalities recorded in the past three years, including 2022. In addition, there were no records of work-related injuries or lost days due to work-related injuries during the Reporting Period.

*Occupational Health and Safety Management*

To ensure that its employees have a safe and pleasant environment to work in, reminders on keeping the corridors clutter-free, classifying and recycling, arranging air-conditioning equipment, and carpet cleaning services are in place. Employees are also required to participate in health and safety seminars. The Group conducts regular pest tests to ensure all furniture and fixtures are pest-free. To prevent fire hazards, the Group has strategically placed fire extinguishers and ensured that employees are aware of their location.

*Response to the COVID-19 Pandemic*

In light of the COVID-19 pandemic, the Group has complied with the public health and safety measures of the People's Republic of China government and the Hong Kong government. In addition, the Group has also continued to implement different health and safety measures in response to COVID-19, such as making remote work arrangements and distributing surgical masks and hand sanitiser in offices. Clear guidelines are also in place to respond to situations where employees or their family members are found to be infected with the virus.

## *B3. Development and Training*

The Group prides itself on its talented employees and is committed to fostering a learning culture that supports the development of employees' capabilities. To ensure that employees retain their competitive edge, the Group actively encourages and provides employees with ample opportunities to attend training and seminars to keep abreast of ever-changing trends or gain new expertise. The training content is monitored and updated to ensure validity and accuracy, providing maximum benefit to the employees. The Group has adopted the General Principles of Employee Training (《員工培訓總則》) to standardize employee training management.

During the Reporting Period, employees have participated in courses, seminars and webinars on topics such as negotiation techniques, regulatory knowledge, risk management, real estate, and human resources management to ensure compliance with local regulations by employees.

During the Reporting Period, approximately 22.73% (2021: 42.50%)[8] of the Group's employees participated in training. The percentage of trained employees by gender was approximately 22.52% male and approximately 22.94% female, and the percentage of trained employees by employee category was approximately 44.44% management and 19.69% general employees[9]. The average training hours per employee was approximately 1.09 (2021: 3.85) hours[10].

The breakdown of employees trained and average training hours completed per employee, by gender and employee category, are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Categories** | **Breakdown of trained employees(%)[11]** | **Average training hours per employee (Hours)[12]** | Breakdown of trained employees(%)[11] | Average training hours per employee (Hours)[12] |
| **By Gender** | | | | |
| Male | **50.00** | **1.20** | 49.50 | 3.36 |
| Female | **50.00** | **0.97** | 50.50 | 4.48 |
| **By Employee Category** | | | | |
| Management | **24.00** | **2.93** | 10.30 | 1.96 |
| General Employees | **76.00** | **0.83** | 89.70 | 4.38 |

Note(s):

8. The percentage of trained employees is calculated by dividing the number of trained employees during the reporting period by the total number of employees, including resigned employees, during the reporting period.

9. The percentage of trained employees by category is calculated by dividing the number of trained employees in the specified category during the reporting period by the total number of employees, including resigned employees, during the reporting period.

10. The average training hours per employee is calculated by dividing the total training hours during the reporting period by the total number of employees, including resigned employees, during the reporting period.

11. The breakdown of trained employees is calculated by dividing the number of trained employees in the specific category during the reporting period by the total number of trained employees during the reporting period.

12. The average training hours per employee is calculated by dividing the total training hours of employees in the specified category during the reporting period by the number of employees in the specified category, including resigned employees, during the reporting period.

## *B4. Labour Standards*

### *Prevention of Child and Forced Labour*

Child and forced labour are strictly prohibited during the recruitment process as defined by local laws and regulations. The Group strictly abides by local laws and will not employ children under the legal working age or forced labour in accordance with the UN Declaration of Human Rights. The Group's Human Resources Department is responsible for monitoring and ensuring compliance with the latest laws and regulations that prohibit child and forced labour. Personal data is collected during the process to assist in the selection of suitable candidates and to verify the candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked.

The working hours of the employees strictly comply with the local laws and regulations. The employees' resting time is well respected, and the employees enjoy paid holidays in accordance with the laws and regulations. To prevent forced overtime work, any necessary arrangements for overtime must be agreed upon by the employees voluntarily. Overtime and overtime pay are in line with the local laws and regulations.

Moreover, the Human Resources Department has established a reporting mechanism to monitor and ensure compliance with all relevant laws and regulations. If a violation is involved, it will be dealt with promptly in the light of the circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong, the Labour Law of the People's Republic of China, and the Labour Contract Law of the People's Republic of China.

## *B5. Supply Chain Management*

The Group's main suppliers are third-party service providers in the information technology, property management, advertising, and legal and consulting sectors. Other than financial service providers, the Group also works with suppliers of office equipment and stationery. To ensure suppliers have met the Group's standards and requirements regarding product and service quality, environment, and product health and safety, the Group has established a stringent and standardised procurement system in which all suppliers are evaluated carefully and subject to regular monitoring and assessments. During the Reporting Period, the Group had a total of 8 (2021: 13) suppliers, all of whom were evaluated according to the Group's standardised procurement practices.

The geographical distribution of the Group's suppliers is as follows:

| Regions | Number of Suppliers | |
|---|---|---|
| | **2022** | 2021 |
| Shenzhen | **8** | 12 |
| Chengdu | **–** | 1 |

*Fair and Open Procurement*

Suppliers are selected under a fair and open procurement process that considers a range of factors, including but not limited to suppliers' experience, prevailing market price, and reputation. For the purpose of risk diversification, the Group intends to not over-rely on a specific supplier in order to ensure the stability of the supply chain. Any discrimination against certain vendors without reasonable grounds and any types of business bribery practices are strictly prohibited.

*Sustainable Procurement*

The Group proactively explores possibilities to further minimise its carbon footprint in the procurement process. The Group has implemented the Environmental Procurement Policy to minimise its carbon footprint, support local procurement, and give priority to the purchase of recycled and environmentally-friendly products.

To ensure that suppliers meet the Group's requirements and standards, especially in the area of managing social and environmental risks and providing environmentally preferred products, the Group has established a supply chain management team to select and evaluate qualified suppliers. The Group has implemented stringent procedures and standards when selecting and reviewing suppliers. The Group reviews the suppliers' reputation, employment and labour standards, operating practices, environmental policies, etc. All suppliers are evaluated carefully and subject to regular monitoring and assessments.

The Group also pays close attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices among its business partners and suppliers. The Group encourages its business partners and suppliers to consider the risks posed to their operations by climate change and to actively mitigate their environmental impacts during supplier management meetings and events. During the selection process, to promote improvements in environmental performance, suppliers are encouraged to consider and manage their environmental and social issues in their operations for priority consideration. The Group maintains close communication with suppliers, understands their supply and services, resolves related supply and service issues, and makes corresponding improvement measures. The Group also shares sustainable operating practices and disseminates environmental concepts, including the latest knowledge on quality safety, good employment and environmental practices.

## B6. *Product Responsibility*

The Group places great emphasis on maintaining a solid corporate governance and risk management framework to aid the Group's long-term development and sustainable growth. Therefore, the Group continuously improves its corporate rules and regulations to ensure strict compliance with local laws and regulations.

The Group is equipped with a risk control team consisting of professionals who are certified public accountants, lawyers, certified public valuers and professionals who hold working qualifications in financial institutions. The Audit Committee, composed of independent non-executive directors, periodically reviews the existing risk management system to ensure that relevant procedures remain effective and up-to-date.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations that would have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress, including but not limited to the Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the Securities and Futures Ordinance of Hong Kong, and the Advertising Law of the People's Republic of China.

Due to the Group's business nature, the Group's businesses do not involve the production and sale of physical products. The number of recalls for safety and health reasons and the relevant recall procedures are therefore not applicable to the Group.

### *Quality Assurance*

To promote responsible money-lending services, employees are required to familiarise themselves with related guidelines on money-lending procedures. Guidelines on the special requirements for money-lending business advertisements are formally documented in the Consolidated Handbook. The guideline states that advertisements, whether in textual, audio, or visual form, must contain the relevant subsidiary's telephone hotline for handling complaints and a well-established risk warning statement. The risk warning statement must also be audible in the advertisement. Further information can be found in the section headed "Anti-money Laundering, Counter-financing of Terrorism, Fraud, and Bribery".

The Group highly values the rights and perspectives of its customers and actively seeks to develop its business by listening carefully to customer suggestions and resolving complaints and disputes in a timely manner. To maintain good communications with the Group's customers, the Group has developed different communication channels such as the official website, service hotlines, and dedicated mailboxes to understand the customers' expectations and suggestions for the Group's performance. The Group has formulated relevant guidelines and procedures for employees to handle customer complaints and enquiries.

*Customer Privacy Protection*

During the provision of products and services, a wide range of sensitive information is entrusted to the Group by its customers. To ensure proper storage and management of information and prevent potential data leakage, the Group has installed and routinely upgrades its firewall, anti-virus, and anti-spam solutions. Instructions with respect to confidentiality are also stated in the Employee Consolidation Handbook (《員工手冊》). The Group restricts employee access to sensitive data, only allowing access to relevant employees to carry out their roles and responsibilities. Any violations of the privacy policy are major misconduct and shall be subjected to disciplinary action, including dismissal and judicial proceedings.

*Intellectual Property ("IP") Rights*

The Group is dedicated to protecting and enforcing the Group's own IP rights as well as the IP rights of other enterprises. The Group has established relevant policies to govern the information technology management within the Group. The Group has obtained proper licences for the software and information used by the Group in its business operations. Any duplication or downloading of information, software, or images from the internet must be approved by relevant departments.

### *B7. Anti-Corruption*

The Group is committed to conducting all its businesses with integrity and has formulated the Code of Conduct, which requires employees to maintain the highest standards of professionalism in all their dealings with others. During 2022, the Group was not aware of any material noncompliance with relevant laws and regulations of bribery, extortion, fraud, and money laundering that would have a significant impact on the Group, including but not limited to the Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the Securities and Futures Ordinance of Hong Kong, the Anti-Unfair Competition Law of the People's Republic of China, and the Criminal Law of the People's Republic of China. During the Reporting Period, the Group also had no concluded legal cases regarding corrupt practices brought against the Group or its employees.

*Anti-money Laundering, Counter-financing of Terrorism, Fraud, and Bribery*

As a financial services provider, the Group is sensitive to the prevention of money laundering, potential fraud, and bribery practices. The Group closely monitors signs of money laundering and financial crimes. A number of procedures are in place to safeguard the interests of the Group and are in line with the prescribed laws and regulations set up by regulatory authorities, such as a background investigation, due diligence, and loan approvals for loan financing applications. The Group also provides guidelines and training on the prevention of improper practices to employees and reminds them of good practices to prevent unnecessary legal complications.

*Anti-corruption Training*

The Group endeavours to maintain a culture of integrity, transparency, and accountability by adhering to stringent anti-corruption practices. The Group will regularly conduct training to introduce the Group's anti-corruption policies, including the Whistleblowing Policy and the Code of Conduct, to its employees in order to familiarise themselves with the Group's requirements and current legislation, as well as the correct procedures to report corrupt practices. The Group also arranges different anti-corruption training for employees to prevent corrupt practices. During the Reporting Period, the Group provided anti-corruption training for directors and general employees.

*Whistle-blowing Mechanism*

The Group has formulated the Whistle-blowing Policy, which sets out a reporting and investigative procedure to encourage employees to report fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Whistle-blowers may report verbally or in writing to the Whistleblowing Screening Committee or to the Board regarding the suspected misconduct with supporting evidence. The management will then investigate the suspected illegal behaviour. The Group provides assurance to the whistle-blower reporting in good faith against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

## *B8. Community Investment*

The Group is committed to empowering and supporting the public through social participation and contribution. As part of its strategic development, the Group has established relevant guidelines on community investment to nurture corporate culture and corporate citizenship. During the Reporting Period, the Group especially focused on public health and safety as well as social welfare since the Group considered them to be some of the most significant social issues.

During the Reporting Period, the Group donated HK$5,000 to purchase 250 Charity Meal Vouchers and HK$6,500 to purchase tea bags at a charity sale organised by the ELCHK Communion Lutheran Elderly Health Centre. The Group also donated masks and pandemic prevention supplies worth RMB796 to Shenzhen Baoan District Xin'an Subdistrict Office, as well as participated in a flag day organised by the Tung Wah Group of Hospitals.

## The ESG Reporting Guide Content Index of the Stock Exchange

| **Mandatory Disclosure Requirements** | **Section/Declaration** |
|---|---|
| Governance Structure | Introduction – The ESG Governance Structure, Chairman's Statement |
| Reporting Principles | Reporting Framework |
| Reporting Boundary | Reporting Scope |

| **Subject Areas, Aspects, General Disclosures and KPIs** | **Description** | **Section/Declaration** |
|---|---|---|
| **A. Environmental** | | |
| **Aspect A1: Emissions** | | |
| **General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | Emissions – Air Emissions |
| KPI 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). | Emissions – GHG Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emissions – Waste Management |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emissions – Waste Management |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | Emissions – GHG Emissions |
| KPI 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. | Emissions – Waste Management |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| KPI 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). | Use of Resources – Energy Efficiency |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Use of Resources – Water Consumption |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Use of Resources – Energy Efficiency |
| KPI 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. | Use of Resources – Water Consumption |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Use of Resources – Use of Packaging Materials |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | The Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| KPI 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. | Climate Change |
| **B. Social** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment |
| KPI B1.1 | Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region. | Employment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Health and Safety |
| KPI B2.2 | Lost days due to work injury. | Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Health and Safety – Occupational Health and Safety Management |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Development and Training |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Labour Standards |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management – Sustainable Procurement |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management – Sustainable Procurement |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Product Responsibility – Quality Assurance |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility – Intellectual Property ("IP") Rights |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility – Quality Assurance |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Product Responsibility – Customer Privacy Protection |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | Anti-corruption – Anti-money Laundering, Counter-financing of Terrorism, Fraud, and Bribery, Whistle-blowing Mechanism |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Anti-corruption – Anti-corruption Training |
| **Aspect 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. | Community Investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Community Investment |

bakertilly
天職國際

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**
**CHINA FINANCIAL SERVICES HOLDINGS LIMITED**
*(Incorporated in Hong Kong with limited liability)*

## Opinion

We have audited the consolidated financial statements of China Financial Services Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 81 to 199, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained for the year is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

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

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Valuation of loan receivables** | |
| We identified the valuation of loan receivables as a key audit matter due to the use of judgements and estimates by management in assessing the recoverability of loan receivables.<br><br>As set out in Note 4 to the consolidated financial statements, the Group estimates the amount of impairment losses for expected credit loss ("ECL") on loan receivables based on the credit risk of loan receivables. The amount of the impairment losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise.<br><br>As disclosed in Note 21 to the consolidated financial statements, the carrying amount of loan receivables as at 31 December 2022 is HK$1,625,007,000 (net of allowance for ECL of HK$1,035,170,000). | Our procedures in relation to valuation of loan receivables included:<br><br>– Obtaining an understanding of and assessing the design and implementation of management's key controls relating to credit control, debt collection and impairment assessment of loan receivables;<br><br>– Assessing the reasonableness of impairment under ECL model by examining the information used by management to form its judgements and estimates, including test of accuracy of the historical default data with reference to the credit history, delay in payments, settlement records, and aging analysis of each relevant debtor, on a sample basis;<br><br>– Evaluating the reasonableness of the forward-looking information management has taken into account; and<br><br>– Testing the mathematical accuracy of the ECL model on loan receivables prepared by management. |

## Key audit matters *(Continued)*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Impairment assessment of goodwill** | |
| We identified impairment of goodwill as a key audit matter due to significant management judgement involved in determining the recoverable amount of the goodwill for impairment assessment.<br><br>As set out in Note 15 to the consolidated financial statements, impairment of goodwill is assessed by comparing the recoverable amount of respective cash-generating unit ("CGU") to which goodwill is allocated, to their carrying values at the end of each reporting period. Significant judgements and assumptions are required by the management in assessing the impairment of goodwill, which are determined with reference to the present value of the estimated future cash flows arising from respective CGUs with key assumptions including expected changes to revenue and direct costs, suitable discount rates and growth rates in order to calculate the recoverable amount of the CGUs.<br><br>Included in the Group's consolidated statement of financial position as at 31 December 2022 the goodwill amount is HK$337,522,000. In the opinion of the directors of the Company, no impairment loss is required for the year ended 31 December 2022. | Our procedures in relation to the impairment assessment of goodwill included:<br><br>– Obtaining an understanding on the Group's cash flow forecast preparation process and impairment assessment process;<br><br>– Assessing the reasonableness of the key assumptions made by the management in determining the recoverable amount of the CGUs, including discount rates, growth rates and expected changes to revenue and direct costs, with the involvement of our valuation expert;<br><br>– Evaluating the key inputs adopted in the cash flow forecast by comparing to the historical performance, the most recent actual performance of respective CGUs;<br><br>– Testing the mathematical accuracy of the underlying value-in-use calculations; and<br><br>– Evaluating the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. |

## Other information

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

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

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

## Responsibilities of the directors and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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.

## Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

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

From the matters communicated with those charged with governance, we determine 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 director on the audit resulting in this independent auditor's report is Del Rosario, Faith Corazon.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*
Hong Kong, 31 March 2023

**Del Rosario, Faith Corazon**
Practising Certificate Number P06143

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Interest, guarantee and financing consultancy services income** | 5 | **200,826** | 304,593 |
| Interest and handling expenses | 5 | **(135,999)** | (207,377) |
| **Net interest income and service income** | 5 | **64,827** | 97,216 |
| Education consultancy service income | 5 | **1,385** | 4,650 |
| Other income and other gains and losses | 6 | **27,711** | 4,280 |
| Impairment losses on financial instruments | 7 | **(6,369)** | (7,915) |
| Impairment loss on goodwill | 15 | **–** | (128,389) |
| Reversal of interest payables | 25(c) | **52,508** | – |
| General and administrative expenses | | **(158,308)** | (182,929) |
| Share of results of associates | | **(945)** | 106 |
| Share of results of joint ventures | | **–** | (355) |
| **Loss before taxation** | 8 | **(19,191)** | (213,336) |
| Income tax | 9 | **(29,563)** | (32,794) |
| **Loss for the year** | | **(48,754)** | (246,130) |
| **Attributable to:** | | | |
| Owners of the Company | | **(52,553)** | (250,065) |
| Non-controlling interests | | **3,799** | 3,935 |
| **Loss for the year** | | **(48,754)** | (246,130) |
| **Loss per share** | | **HK$** | HK$ |
| – Basic | 12 | **(0.26)** | (1.24) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Loss for the year** | **(48,754)** | (246,130) |
| **Other comprehensive (expense)/income for the year, net of income tax** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | **(89,938)** | 33,094 |
| Reclassification of exchange reserve upon disposal of a foreign operation | **892** | (434) |
| **Other comprehensive (expense)/income for the year, net of income tax** | **(89,046)** | 32,660 |
| **Total comprehensive expense for the year** | **(137,800)** | (213,470) |
| **Attributable to:** | | |
| Owners of the Company | **(134,092)** | (219,892) |
| Non-controlling interests | **(3,708)** | 6,422 |
| **Total comprehensive expense for the year** | **(137,800)** | (213,470) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | 31 December 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **12,097** | 22,498 |
| Investment property | | **1,088** | 1,250 |
| Goodwill | 15 | **337,522** | 384,504 |
| Intangible assets | 16 | **13,565** | 14,103 |
| Interests in associates | 17 | **30,289** | 19,535 |
| Other financial assets | 19 | **17,681** | 29,074 |
| Loan receivables | 21 | **252,261** | 322,096 |
| Deposits | 23 | **35,000** | 35,000 |
| Deferred tax assets | 29 | **8,944** | 6,874 |
| | | **708,447** | 834,934 |
| **Current assets** | | | |
| Contingent consideration receivables | 20 | **–** | 7,115 |
| Loan receivables | 21 | **1,372,746** | 1,816,339 |
| Interest receivables | 22 | **11,710** | 8,273 |
| Account and other receivables, deposits and prepayments | 23 | **79,511** | 62,288 |
| Amounts due from associates | 28 | **60,398** | 67,137 |
| Amounts due from joint ventures | 28 | **–** | 923 |
| Cash and cash equivalents | 24 | **411,595** | 571,668 |
| | | **1,935,960** | 2,533,743 |
| **Current liabilities** | | | |
| Borrowings and loan payables | 25 | **1,240,200** | 1,391,451 |
| Consideration payables | 26 | **–** | 97,429 |
| Other payables, accruals and deposit received | 27 | **100,377** | 112,795 |
| Liabilities arising from loan guarantee contracts | 25(e) | **89,340** | 121,942 |
| Amount due to an associate | 28 | **2,866** | 3,143 |
| Unsecured bonds | 30 | **27,741** | 219,489 |
| Lease liabilities | 31 | **4,166** | 9,555 |
| Tax payables | | **160,153** | 182,597 |
| | | **1,624,843** | 2,138,401 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | 31 December 2022 HK$'000 | 31 December 2021 HK$'000 |
|---|---|---|---|
| **Net current assets** | | **311,117** | 395,342 |
| **Total assets less current liabilities** | | **1,019,564** | 1,230,276 |
| **Non-current liabilities** | | | |
| Borrowings and loan payables | 25 | **60,932** | 138,520 |
| Unsecured bonds | 30 | **46,292** | 34,577 |
| Lease liabilities | 31 | **2,768** | 5,720 |
| Deferred tax liabilities | 29 | **38,510** | 38,990 |
| | | **148,502** | 217,807 |
| **NET ASSETS** | | **871,062** | 1,012,469 |
| **EQUITY** | | | |
| Share capital | 32 | **2,080,113** | 2,080,113 |
| Reserves | 33 | **(1,290,388)** | (1,156,296) |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **789,725** | 923,817 |
| Non-controlling interests | | **81,337** | 88,652 |
| **TOTAL EQUITY** | | **871,062** | 1,012,469 |

Approved and authorised for issue by the board of directors on 31 March 2023 and were signed on its behalf by:

**Zhang Min**
*Director*

**Zhang Kun**
*Director*

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share-based compensation reserve** HK$'000 | **Shares held under the share award scheme** HK$'000 | **Exchange reserve** HK$'000 | **Statutory surplus reserve** HK$'000 | **Accumulated losses** HK$'000 | **Total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| **At 1 January 2021** | 2,080,113 | 29,675 | (56,661) | (257,776) | 219,816 | (871,458) | 1,143,709 | 85,483 | 1,229,192 |
| **Changes in equity in 2021:** | | | | | | | | | |
| (Loss)/profit for the year | – | – | – | – | – | (250,065) | (250,065) | 3,935 | (246,130) |
| Other comprehensive income | – | – | – | 30,173 | – | – | 30,173 | 2,487 | 32,660 |
| Total comprehensive income/(expense) | – | – | – | 30,173 | – | (250,065) | (219,892) | 6,422 | (213,470) |
| Dividends paid to non-controlling interest | – | – | – | – | – | – | – | (3,253) | (3,253) |
| Transfer from statutory reserve to accumulated losses upon deregistration of subsidiaries | – | – | – | – | (311) | 311 | – | – | – |
| Transfer to reserve | – | – | – | – | 7,609 | (7,609) | – | – | – |
| **At 31 December 2021 and 1 January 2022** | 2,080,113 | 29,675 | (56,661) | (227,603) | 227,114 | (1,128,821) | 923,817 | 88,652 | 1,012,469 |
| **Changes in equity in 2022:** | | | | | | | | | |
| (Loss)/profit for the year | – | – | – | – | – | (52,553) | (52,553) | 3,799 | (48,754) |
| Other comprehensive expense | – | – | – | (81,539) | – | – | (81,539) | (7,507) | (89,046) |
| Total comprehensive expense | – | – | – | (81,539) | – | (52,553) | (134,092) | (3,708) | (137,800) |
| Dividends paid to non-controlling interest | – | – | – | – | – | – | – | (3,493) | (3,493) |
| Disposal of subsidiaries | – | – | – | – | – | – | – | (114) | (114) |
| Transfer to reserve | – | – | – | – | 12,446 | (12,446) | – | – | – |
| **At 31 December 2022** | 2,080,113 | 29,675 | (56,661) | (309,142) | 239,560 | (1,193,820) | 789,725 | 81,337 | 871,062 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation | | **(19,191)** | (213,336) |
| Adjustments for | | | |
| Interest and handling expenses | 5 | **135,999** | 207,377 |
| Bank interest income | 6 | **(4,778)** | (3,911) |
| Dividend income from financial assets at fair value through profit or loss ("FVTPL") | 6 | **(1)** | (20,060) |
| (Gain)/loss from changes in fair value of financial assets at FVTPL, net | 6 | **(133)** | 8,977 |
| Impairment loss on financial instruments | 7 | **6,369** | 7,915 |
| Impairment loss on intangible assets | 16 | **538** | 20,444 |
| Depreciation of self-owned property, plant and equipment | 8(b) | **2,356** | 2,829 |
| Depreciation of right-of-use assets | 8(b) | **8,186** | 11,365 |
| Loss on disposal of property, plant and equipment | 6 | **32** | 69 |
| (Gain)/loss from changes in fair value of contingent consideration receivables | 6 | **(11,079)** | 3,101 |
| Reversal of interest payables | 25(c) | **(52,508)** | – |
| Gain on disposal of subsidiaries | 6 | **(1,789)** | – |
| Gain on deemed disposal of a joint venture | 6 | **(1,000)** | – |
| Loss from change in fair value of investment property | 6 | **58** | – |
| Loss on early termination of lease contracts | 6 | **367** | – |
| Impairment loss on goodwill | 15 | **–** | 128,389 |
| Share of results of associates | | **945** | (106) |
| Share of results of joint ventures | | **–** | 355 |
| | | **64,371** | 153,408 |
| **Changes in working capital** | | | |
| Decrease in loan receivables | | **362,456** | 488,517 |
| (Increase)/decrease in interest receivables | | **(6,218)** | 16,439 |
| (Increase)/decrease in account and other receivables, deposits and prepayments | | **(120,884)** | 53,572 |
| Decrease in consideration payables | | **(97,429)** | (97,429) |
| Increase in other payables, accruals and other deposits received | | **81,885** | 18,507 |
| Decrease in income received in advance | | **(416)** | (2,560) |
| **Cash generated from operations** | | **283,765** | 630,454 |
| Taxation paid | | | |
| – PRC Enterprise Income Tax | | **(35,021)** | (40,571) |
| – Withholding tax on dividends | | **(1,572)** | – |
| Taxation refunded | | **–** | 844 |
| **Net cash generated from operating activities** | | **247,172** | 590,727 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(986)** | (1,491) |
| Purchase of other financial assets | | **(7,508)** | (15,000) |
| Proceeds from disposal of property, plant and equipment | | **247** | 462 |
| Proceeds from disposal of other financial assets | | **17,920** | – |
| Advance to an associate | | **(776)** | (11,264) |
| Advance to joint ventures | | **(2,171)** | (293) |
| Net cash inflow arising from acquisition of subsidiaries | 41 | **1,213** | – |
| Net cash inflow arising from disposal of subsidiaries | 42 | **8,298** | – |
| Withdrawal of pledged bank and security deposits | | **–** | 10,205 |
| Bank interest received | | **4,778** | 3,911 |
| Dividend received from other financial assets | | **1** | 20,060 |
| **Net cash generated from investing activities** | | **21,016** | 6,590 |
| **Financing activities** | | | |
| Repayment of bank loans | | **–** | (32,000) |
| Proceeds from new borrowings | | **145,200** | 229,349 |
| Repayment of borrowings | | **(308,820)** | (564,436) |
| Proceeds from the issue of unsecured bonds | | **–** | 2,000 |
| Redemption of unsecured bonds | | **(185,373)** | (53,390) |
| Repayment to an associate | | **(12)** | (6) |
| Capital element of lease rental paid | | **(8,394)** | (11,151) |
| Interest element of lease rental paid | | **(512)** | (869) |
| Other interest paid | | **(39,346)** | (197,517) |
| Other finance costs paid | | **(5,658)** | (2,570) |
| Dividends paid to non-controlling shareholders of subsidiaries | | **(3,493)** | (3,253) |
| **Net cash used in financing activities** | | **(406,408)** | (633,843) |
| **Decrease in cash and cash equivalents** | | **(138,220)** | (36,526) |
| **Effect of foreign exchange rate changes** | | **(21,853)** | 12,699 |
| **Cash and cash equivalents at beginning of the year** | | **571,668** | 595,495 |
| **Cash and cash equivalents at end of the year** | | **411,595** | 571,668 |

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

## 1. Corporate Information

China Financial Services Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and the ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2007. Mr. Cheung Siu Lam ("Mr. Cheung"), former non-executive director of the Company and the father of Dr. Cheung Chai Hong ("Dr. Cheung"), executive director of the Company until 17 December 2022, through his direct shareholding in the Company is the Company's ultimate controlling party. The Company does not have any parent company.

The address of the Company's registered office and the principal place of business is Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The trading of the Company's shares on the Main Board of the Stock Exchange was halted commencing from 29 March 2021. As the Company has fulfilled all the resumption guidance set out by the Stock Exchange on 25 June 2021, trading of the Company's shares was resumed on 27 February 2023. Details of the resumption guidance requirement and resumption of trading are set out in the Company's announcement dated 28 June 2021 and 24 February 2023 respectively.

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 14 to the consolidated financial statements. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

## 2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

### *2.1 Amendments to HKFRSs that are mandatorily effective for the year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 |

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

## 2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### *2.2 New and Amendments to HKFRSs in issue but not yet effective*

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

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or 1 January 2024.

## 2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### *2.2 New and Amendments to HKFRSs in issue but not yet effective (Continued)*

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

*Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

## 2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### 2.2 New and Amendments to HKFRSs in issue but not yet effective *(Continued)*

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

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

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

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

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

## 2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### 2.2 *New and Amendments to HKFRSs in issue but not yet effective (Continued)*

*Amendments to HKAS 8 Definition of Accounting Estimates*

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

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

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

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies

### 3.1 *Basis of preparation of the consolidated financial statements*

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.1 Basis of preparation of the consolidated financial statements (Continued)*

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

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies*

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangements with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Basis of consolidation (Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investment in subsidiaries are stated at cost less any impairment.

*Associates and joint ventures*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Associates and joint ventures (Continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investment in an associate and joint venture is stated at cost less impairment losses.

*Business combinations and goodwill*

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Business combinations and goodwill (Continued)*

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Business combinations and goodwill (Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Intangible assets*

*Intangible assets acquired separately*

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with infinite useful lives are reported at cost less any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

*Property, plant and equipment*

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses:

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Property, plant and equipment (Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | | |
|---|---|---|
| – | Leasehold improvements | 3 years or over the remaining term of the lease, if shorter |
| – | Furniture and equipment | 3 to 5 years |
| – | Motor vehicles | 3 to 5 years |
| – | Right-of-use assets | Over the lease term |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

*Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

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

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Leased assets*

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.

*As a lessee*

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. 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.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Leased assets (Continued)*

*As a lessee (Continued)*

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

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

*Financial assets and liabilities*

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers”. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, impairment for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (“FVTOCI”) is assessed under expected credit loss (“ECL”) model, and may result in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets

(i) Classification and subsequent measurement

The Group's financial assets include account receivable, loans receivables, interest receivables, other receivables and deposits, amounts due from associates, amounts due from joint ventures, contingent consideration receivables, other financial assets, pledged bank and security deposits, and cash and cash equivalents.

The Group classifies its financial assets in the following measurement categories:

(i) FVTPL;
(ii) FVTOCI; or
(iii) Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and
(ii) the cash flows characteristics of the asset.

Business model assessment:

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Debt instruments *(Continued)*

SPPI test:

The Group assesses the contractual terms of instruments to identify whether the contractual cash flows are "solely payments of principal and interest ("SPPI") on the principal amount outstanding". Financial assets that are consistent with a basic lending arrangement are considered to meet the SPPI criterion. In a "basic lending arrangement", consideration for the time value of money and credit risk are typically the most significant elements of interest. It may also include consideration for other basic lending risks such as liquidity risks, costs associated with holding the financial assets for a period of time (e.g., servicing or administrative costs) and a profit margin.

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

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured at the end of each reporting period. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Debt instruments *(Continued)*

FVTOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated as at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other income". Interest income from these financial assets is included in "other income" using the effective interest rate method.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within "other income" in the reporting period in which it arises, unless it arises from debt instruments that were designated as at fair value or which are not held for trading, in which case they are presented separately in "other income". Interest income from these financial assets is included in "interest income" using the effective interest rate method.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the reporting period.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment as at FVTOCI. The Group's policy is to designate equity investments as at FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when represent a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the "other income" line in the consolidated statement of profit or loss.

(ii) Impairment

The Group applies a simplified approach to measure ECL on account receivables from customers for provision of education consultancy services and a general approach to measure ECL on loan receivables, interest receivables, other receivables and deposits amounts due from associates, amounts due from joint ventures and cash at banks as well as loan commitment.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Under the simplified approach, the Group measures the loss based on lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-month ("12m") ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired
For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

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.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

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 past due event;

– 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.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. A loan that is overdue for 90 days or more is considered as default.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Stage 3: Lifetime ECL – credit-impaired *(Continued)*

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive. The amount of the loss is recognised using a provision for ECL account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for ECL reverts from lifetime ECL to 12m ECL.

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(iii) Modification of loans *(Continued)*

- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(a) Financial assets *(Continued)*

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Group:

(i) has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) is prohibited from selling or pledging the assets; and

(iii) has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(b) Financial liabilities

Classification and subsequent measurement

In both the current and prior periods, financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Credit losses from financial guarantees contracts

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees contracts are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

In the case of the guarantee issued by the Company in respect of a loan to its wholly owned subsidiary, the asset identified could be a form of capital contribution i.e. an addition to the cost of the investment in the subsidiary. This is on the basis that, all other things being equal, the subsidiary will earn enhanced profits as a result of the financial guarantee from having secured borrowings at a lower rate than it would have done without the guarantee, and these profits will eventually flow to the Company by way of dividends or enhanced disposal proceeds. The increased aggregate cost of investment would then be subject to the normal rules applied to investments in subsidiaries, in particular concerning the calculation of impairment losses. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees contracts.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Financial assets and liabilities (Continued)*

*Initial recognition and measurement (Continued)*

(b) Financial liabilities *(Continued)*

Credit losses from financial guarantees contracts *(Continued)*

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in liabilities arising from loan guarantee contracts in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12m ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Impairment of non-financial assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- interests in associates and joint ventures;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Impairment of non-financial assets (Continued)*

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash equivalents are assessed for ECL at the end of the reporting period.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Employee benefits and share-based payment arrangements*

*(i) Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Share-based payments to employees*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained earnings or accumulated losses).

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Employee benefits and share-based payment arrangements (Continued)*

*(iii) Share-based payments to consultants*

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be estimated reliably, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

*(iv) Shares held under the share award scheme*

Own equity instruments which are reacquired (shares held under the share award scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

*(v) Share-based payments to employees under share award scheme*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in the "share award reserve" under equity, over the period in which the performance and/or service conditions are fulfilled in share-based compensation expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that reporting period.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Employee benefits and share-based payment arrangements (Continued)*

*(v) Share-based payments to employees under share award scheme (Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

*Provisions and contingent liabilities*

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

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

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Revenue recognition*

Income derived from the provision short-term financing of services in the ordinary course of the Group's business is classified by the Group as revenue.

Revenue is recognised when service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes, if applicable.

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

*(i) Revenue from financing services*

Interest income is recognised in the consolidated statement of profit or loss for all financial assets using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Revenue recognition (Continued)*

*(ii) Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*(iii) Education consultancy service income*

Income from such services are recognised when related services are rendered.

*(iv) Other interest income*

Other interest income is recognised as it accrues using the effective interest method.

*(v) Other service income*

Income arising from the provision of other services is recognised when the relevant services are rendered.

*(vi) Income from financial guarantee contracts*

Income from financial guarantee contracts is recognised over the term of the guarantees.

*Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Income tax (Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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 substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### 3.2 *Significant accounting policies (Continued)*

*Income tax (Continued)*

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

*Translation of foreign currencies*

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Translation of foreign currencies (Continued)*

*(ii) Transactions and balances*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), the cumulative amount of the exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

*Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

*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 over the Group;

   ii) has significant influence over the Group; or

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

## 3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

### *3.2 Significant accounting policies (Continued)*

*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 (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- vi) The entity is controlled or jointly controlled by a person identified in (a).
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

## 4. Key Sources of Estimation Uncertainty

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

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

### *Key sources of estimation uncertainty*

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

*(i) Impairment assessment of goodwill (Carrying amount – HK$337,522,000 (2021: HK$384,504,000))*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

*(ii) Valuation of loan receivables (Carrying amount – HK$1,625,007,000 (2021: HK$2,138,435,000))*

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

## 4. Key Sources of Estimation Uncertainty *(Continued)*

### *(ii) Valuation of loan receivables (Carrying amount: HK$1,625,007,000 (2021: HK$2,138,435,000)) (Continued)*

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades;

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

- The segmentation of financial assets based on risk characteristics of the customers and product types when their ECL is assessed on a collective basis;

- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures; and

- Determination of associations between macroeconomic scenarios and, economic inputs, such as Gross Domestic Product growth, Property Price Index, Inflation Rate and Unemployment Rate, and the effect on probabilities of default, exposures at default and losses given default.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

## 5. Revenue and Segment Reporting

### a) *Revenue*

The amount of each significant category of revenue during the year is as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Interest, guarantee and financing consultancy services income from:** | | |
| Pawn loans, loan receivables from micro-lending and money-lending | 195,232 | 242,462 |
| Other loan receivables | 5,594 | 62,131 |
| | 200,826 | 304,593 |
| **Interest and handling expenses from:** | | |
| Borrowings and loan payables | (30,336) | (32,954) |
| Loan payables from the Incidents (as defined in Note 25(c)) | (84,272) | (145,308) |
| Unsecured bonds | (15,221) | (24,371) |
| Lease liabilities | (512) | (869) |
| Bank loans | – | (1,305) |
| Other finance costs | (5,658) | (2,570) |
| | (135,999) | (207,377) |
| **Net interest income and service income** | 64,827 | 97,216 |
| **Income recognised over time under HKFRS 15:** | | |
| Education consultancy service | 1,385 | 4,650 |

For the year ended 31 December 2022, the total amount of interest income on financial assets that is not at FVTPL, including bank interest income (Note 6(a)), was HK$205,604,000 respectively (2021: HK$308,504,000).

## 5. Revenue and Segment Reporting *(Continued)*

### b) *Segmental Information*

#### (i) *Operating segment information*

The directors of the Company have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group for both years.

#### (ii) *Geographical information*

**Revenue from external customers**

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Hong Kong | **41,641** | 63,061 |
| The People's Republic of China (the "PRC") | **159,185** | 241,532 |
| United Kingdom | **1,385** | 4,650 |
| | **202,211** | 309,243 |

The geographic location of revenue from external customers is based on the location at which the services were rendered.

**Non-current assets**

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Hong Kong | **23,500** | 7,339 |
| The PRC | **348,138** | 401,004 |
| United Kingdom | **22,923** | 33,547 |
| | **394,561** | 441,890 |

The above table sets out the information about the geographical location of the Group's property, plant and equipment, investment property, goodwill, intangible assets and interests in associates based on the physical location of these assets.

## 5. Revenue and Segment Reporting *(Continued)*

### b) *Segmental Information (Continued)*

#### (iii) *Information about major customers*

There was no customer (2021: Nil) who individually contributed over 10% of the Group's revenue for the year.

## 6. Other Income and Other Gains and Losses

### a) *Other Income*

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Bank interest income | **4,778** | 3,911 |
| Income from government subsidies | **4,268** | 7,511 |
| Other consultancy services income | **685** | 282 |
| Dividend income from financial assets at FVTPL | **1** | 20,060 |
| Others | **4,996** | 4,514 |
| | **14,728** | 36,278 |

### b) *Other Gains and Losses*

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Gain on disposal of subsidiaries (Note 42) | **1,789** | – |
| Gain on deemed disposal of a joint venture (Note 18) | **1,000** | – |
| Gain on deregistration of subsidiaries | **–** | 434 |
| Gain/(loss) from changes in fair value of financial assets at FVTPL, net | **133** | (8,977) |
| Gain/(loss) from changes in fair value of contingent consideration receivables (Note 20) | **11,079** | (3,101) |
| Loss from change in fair value of investment property | **(58)** | – |
| Impairment loss on intangible assets (Note 16) | **(538)** | (20,444) |
| Loss on disposal of property, plant and equipment | **(32)** | (69) |
| Loss on early termination of lease contracts | **(367)** | – |
| Exchange (loss)/gain, net | **(23)** | 159 |
| | **12,983** | (31,998) |
| Total | **27,711** | 4,280 |

## 7. Impairment losses on financial instruments

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Impairment loss on loan, interest and other receivables | **6,369** | 4,093 |
| Impairment loss on loan and interest receivables arising from the Incidents | **–** | 3,822 |
| | **6,369** | 7,915 |

## 8. Loss Before Taxation

The Group's loss before taxation is arrived at after charging:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **(a) Staff costs (including directors' emoluments):** | | |
| Salaries, allowances and other benefits | **64,991** | 78,625 |
| Contributions to defined contribution retirement plans | **5,996** | 6,378 |
| | **70,987** | 85,003 |
| **(b) Other items:** | | |
| Auditor's remuneration | | |
| – audit service | **2,650** | 2,380 |
| – non-audit service | **235** | 25 |
| | **2,885** | 2,405 |
| Depreciation of property, plant and equipment (Note 13) | | |
| – self-owned assets | **2,356** | 2,829 |
| – right-of-use assets | **8,186** | 11,365 |
| | **10,542** | 14,194 |

## 9. Income Tax

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Current tax – Hong Kong Profits Tax** | | |
| Under-provision in respect of prior years | – | 60 |
| **Current tax – PRC Enterprise Income Tax** | | |
| Provision for the year | 21,539 | 33,724 |
| Under/(over)-provision in respect of prior years | 6,273 | (3,404) |
| **Withholding tax on dividends** | | |
| Provision for the year | 1,572 | – |
| **Deferred tax** | | |
| Origination and reversal of temporary differences (Note 29(a)) | 179 | 2,414 |
| | 29,563 | 32,794 |

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

(ii) No provision for Hong Kong Profits Tax had been made in the financial statements as the Group did not have assessable profits arising in Hong Kong for the current and prior years.

(iii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Cayman Islands and United Kingdom, the Group is not subject to any income tax in the respective jurisdictions.

(iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% of the estimated taxable profits for the current and prior years.

(v) Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008 (Note 29).

## 9. Income Tax *(Continued)*

### b) *Reconciliation between tax expense charged to profit or loss and accounting loss at the applicable tax rates:*

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Loss before taxation | **(19,191)** | (213,336) |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned | **2,191** | (34,250) |
| Tax effect of non-taxable income | **(25,075)** | (20,044) |
| Tax effect of non-deductible expenses | **26,818** | 80,905 |
| Tax effect of temporary differences not recognised | **(1,458)** | 2,190 |
| Tax effect of tax losses not recognised | **20,445** | 7,343 |
| Tax effect of utilisation of unused tax losses previously not recognised | **(59)** | (6) |
| Recognition of deductible temporary differences previously not recognised | **(4,081)** | – |
| Under/(over)-provision of PRC Enterprise Income Tax in prior years | **6,273** | (3,404) |
| Under-provision of Hong Kong Profits Tax in prior years | **–** | 60 |
| Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries | **4,509** | – |
| Income tax expense | **29,563** | 32,794 |

## 10. Directors' and Chief Executive's Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

### *(a) Year ended 31 December 2022*

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Retirement scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. Zhang Min (note (i)) | 146 | – | – | 146 |
| Dr. Cheung (note (ii)) | 576 | 5,117 | 17 | 5,710 |
| **Non-executive directors** | | | | |
| Mr. Tao Chun | 120 | – | – | 120 |
| Mr. Wu Xinjiang (note (vii)) | 120 | – | – | 120 |
| Mr. Chan Yuk Ming (note (iii)) | – | 878 | 17 | 895 |
| Mr. Fang Feiyue (note (iv)) | 96 | 116 | – | 212 |
| **Independent non-executive directors** | | | | |
| Mr. Lee Ka Wai (note (v)) | 120 | – | – | 120 |
| Mr. Chan Chun Keung | 120 | – | – | 120 |
| Dr. Zhang Xiao Jun note (vi)) | 120 | – | – | 120 |
| Madam Zhan Lili | 120 | – | – | 120 |
| | 1,538 | 6,111 | 34 | 7,683 |

## 10. Directors' and Chief Executive's Emoluments *(Continued)*

### *(a) Year ended 31 December 2022 (Continued)*

Notes:

(i) On 24 December 2021, the Company announced Mr. Zhang Min ("Mr. Zhang") has been appointed as a non-executive director of the Company.

On 17 October 2022, Mr. Zhang has been re-designated from a non-executive director to an executive director of the Company and he has been appointed as the Chief Executive Officer of the Company with effect from 22 November 2022. The Company has established a Business Risks Committee (the "Committee") with Mr. Zhang as the chairman of the Committee and all independent non-executive directors as members.

(ii) Dr. Cheung has resigned as an executive director of the Company with effect from 17 December 2022.

(iii) Mr. Chan Yuk Ming has resigned as non-executive director and chairman of the board of directors and the Nomination Committee of the Company with effect from 17 December 2022.

(iv) Mr. Fang Feiyue resigned as a non-executive director of the Company on 17 October 2022.

(v) Mr. Lee Ka Wai ("Mr. Lee") has been appointed as an independent non-executive director and the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company with effect from 31 May 2021.

Mr. Lee has been appointed as the chairman of the Nomination Committee with effect from 17 December 2022.

Mr. Lee has been resigned as a chairman of the Remuneration Committee of the Company with effect from 13 March 2023.

(vi) Dr. Zhang Xiao Jun has resigned as an independent non-executive director and member of the Audit Committee, the Remuneration Committee, the Normation Committee and the Business Risks Committee of the Company with effect from 13 March 2023.

(vii) Mr. Wu Xinjiang was appointed as non-executive director and a member of the Audit Committee of the Company on 4 March 2021 and resigned as non-executive director and a member of the Audit Committee of the Company with effect from 13 March 2023.

(viii) Mr. Zhang Kun has been appointed as an independent non-executive director and the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Business Risks Committee of the Company with effect from 13 March 2023.

(ix) Mr. John Paul Ribeiro has been appointed as an independent non-executive director of the Company with effect from 17 March 2023.

## 10. Directors' and Chief Executive's Emoluments *(Continued)*

### *(b) Year ended 31 December 2021*

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Retirement scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Dr. Cheung | 600 | 5,342 | 18 | 5,960 |
| **Non-executive directors** | | | | |
| Mr. Chan Yuk Ming | – | 881 | 18 | 899 |
| Mr. Dong Yibing (note (i)) | 34 | – | – | 34 |
| Madam Huang Mei (note (ii)) | 21 | – | – | 21 |
| Mr. Tao Chun (note (iii)) | 68 | – | – | 68 |
| Mr. Wu Xinjiang | 99 | – | – | 99 |
| Mr. Zhang | 3 | – | – | 3 |
| Mr. Fang Feiyue | 120 | 289 | – | 409 |
| **Independent non-executive directors** | | | | |
| Mr. Lee | 70 | – | – | 70 |
| Mr. Chan Wing Fai (note (iv)) | 50 | – | – | 50 |
| Mr. Chan Chun Keung | 120 | – | – | 120 |
| Dr. Zhang Xiao Jun | 120 | – | – | 120 |
| Madam Zhan Lili | 120 | – | – | 120 |
| | 1,425 | 6,512 | 36 | 7,973 |

Notes:

(i) Mr. Dong Yibing has resigned as a non-executive director and ceased to be a member of the remuneration committee and the nomination committee of the Company with effect from 12 April 2021.

(ii) Madam Huang Mei has resigned as non-executive director and a member of the audit committee of the Company with effect from 4 March 2021.

(iii) Mr. Tao Chun has been appointed as a non-executive director and a member of the Remuneration Committee and the Nomination Committee of the Company with effect from 8 June 2021.

(iv) Mr. Chan Wing Fai has resigned as an independent non-executive director and the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company with effect from 31 May 2021.

No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and there was no arrangement under which a director has waived or agreed to waive any emoluments during both years.

## 11. Individuals with Highest Emoluments

The five highest paid employees during the year included two directors (2021: two director), details of the remuneration for their services as directors are set out in Note 10. Details of the remuneration of the non-director highest paid employees are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | 4,523 | 6,039 |
| Retirement scheme contributions | 182 | 72 |
| | 4,705 | 6,111 |

The emoluments of the three (2021: four) individuals with the highest emoluments are within the following bands for the year:

| | Number of individuals | |
|---|---|---|
| | 2022 | 2021 |
| HK$1,000,000 to HK$1,500,000 | 2 | 3 |
| HK$1,500,001 to HK$2,000,000 | 1 | – |
| HK$2,500,001 to HK$3,000,000 | – | 1 |

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 12. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$52,553,000 (2021: HK$250,065,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the year of 202,323,367 (2021: 202,323,367).

Diluted loss per share is not presented as the Company does not have any dilutive potential ordinary share for both years.

## 13. Property, Plant and Equipment

### *(a) Reconciliation of carrying amount*

| | **Leasehold improvements** HK$'000 | **Motor vehicles** HK$'000 | **Furniture and equipment** HK$'000 | **Properties leased for own use** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2021 | 15,695 | 9,430 | 15,385 | 38,799 | 79,309 |
| Additions | 872 | – | 619 | 5,164 | 6,655 |
| Disposals | (876) | (1,907) | (1,358) | – | (4,141) |
| Lease modification | – | – | – | 1,730 | 1,730 |
| Early termination of lease contracts | – | – | – | (4,719) | (4,719) |
| Expiration of lease contracts | – | – | – | (8,758) | (8,758) |
| Exchange adjustment | 350 | 93 | 347 | 670 | 1,460 |
| At 31 December 2021 and 1 January 2022 | 16,041 | 7,616 | 14,993 | 32,886 | 71,536 |
| Additions | 615 | 216 | 155 | 2,011 | 2,997 |
| Additions through acquisition of subsidiaries (Note 41) | – | – | 299 | – | 299 |
| Disposals | – | (1,088) | (2,741) | – | (3,829) |
| Disposal of subsidiaries (Note 42) | – | – | (27) | – | (27) |
| Lease modification | – | – | – | 1,420 | 1,420 |
| Early termination of lease contracts | – | – | – | (7,362) | (7,362) |
| Expiration of lease contracts | – | – | – | (9,447) | (9,447) |
| Exchange adjustment | (1,097) | (196) | (1,023) | (1,337) | (3,653) |
| **At 31 December 2022** | **15,559** | **6,548** | **11,656** | **18,171** | **51,934** |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2021 | 13,727 | 8,682 | 8,921 | 14,404 | 45,734 |
| Charge for the year | 875 | 234 | 1,720 | 11,365 | 14,194 |
| Written back on disposals | (610) | (1,907) | (1,093) | – | (3,610) |
| Early termination of lease contracts | – | – | – | (117) | (117) |
| Expiration of lease contracts | – | – | – | (8,758) | (8,758) |
| Exchange adjustment | 334 | 91 | 743 | 427 | 1,595 |
| At 31 December 2021 and 1 January 2022 | 14,326 | 7,100 | 10,291 | 17,321 | 49,038 |
| Charge for the year | 959 | 461 | 936 | 8,186 | 10,542 |
| Written back on disposals | – | (922) | (2,628) | – | (3,550) |
| Disposal of subsidiaries (Note 42) | – | – | (21) | – | (21) |
| Early termination of lease contracts | – | – | – | (4,295) | (4,295) |
| Expiration of lease contracts | – | – | – | (9,447) | (9,447) |
| Exchange adjustment | (1,012) | (192) | (550) | (676) | (2,430) |
| **At 31 December 2022** | **14,273** | **6,447** | **8,028** | **11,089** | **39,837** |
| **Carrying amounts** | | | | | |
| **At 31 December 2022** | **1,286** | **101** | **3,628** | **7,082** | **12,097** |
| At 31 December 2021 | 1,715 | 516 | 4,702 | 15,565 | 22,498 |

## 13. Property, Plant and Equipment *(Continued)*

### (b) *Right-of-use assets*

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Properties leased for own use | **7,082** | 15,565 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Properties leased for own use | **8,186** | 11,365 |
| Interest expenses on lease liabilities (Note 5(a)) | **512** | 869 |
| Expense relating to short-term leases | **837** | 532 |

Notes:

*(i)* Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 24(b) and 31, respectively.

*(ii)* *Properties leased for own use*

The Group has obtained the right to use other properties as its office premises and director's quarter through tenancy agreements. The leases typically run for an initial period of 1 to 5 years (2021: 1 to 5 years). None of the leases includes variable lease payments.

*(iii)* During the year ended 31 December 2022, the Group entered into new office lease. Right-of-use assets and lease liabilities of HK$2,011,000 (2021: HK$5,164,000) and HK$2,011,000 (2021: HK$5,164,000) were recognised at the commencement of the leases respectively. Furthermore, the Group recognised right-of-use assets and lease liabilities of HK$1,420,000 (2021: HK$1,730,000) and HK$1,420,000 (2021: HK$1,730,000), respectively, in relation to lease modification during the year.

## 14. Investments in Subsidiaries

The following list contains only the particulars of the major subsidiaries with active operations of the Group for the year:

| Name | Place of incorporation/ registration and operations | Particulars of issued and paid-up capital/ registered share capital | Percentage of equity interest attributable to the Company 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| **Directly owned** | | | | | |
| K.P.B. Group Holdings Limited | BVI/Hong Kong | Ordinary US$12 | 100% | 100% | Investment holding |
| Noble Lion Education Company Limited | Hong Kong | 1 ordinary share | 100% | 100% | Provision of education services |
| 北京華夏新業諮詢服務有限公司 (note a) | The PRC | Registered capital RMB300,000,000 | 100% | 100% | Provision of investment consultancy services related to loan guarantee and financing consultancy services |
| 北京中金城開小額貸款有限公司 (note a) | The PRC | Registered capital RMB320,000,000 | 100% | 100% | Micro-lending |
| 深圳市領達小額貸款有限公司 ("Shenzhen Credit Gain") (note a) | The PRC | Registered capital RMB300,000,000 | 100% | 100% | Micro-lending |
| 重慶兩江新區領達商務信息諮詢有限公司 ("Chongqing Credit Gain") (note a) | The PRC | Registered capital US$1,400,000 (2021: US$50,000,000) | 100% | 100% | Provision of information consultancy services |
| **Indirectly owned** | | | | | |
| Brick Lane Education Company Limited | Hong Kong | 10 ordinary shares | 60% | 60% | Provision of education services |
| Access Global Education Enterprise Limited ("Access Global") (Note 42) | Hong Kong | 1,000 ordinary shares | N/A | 60% | Provision of education services |
| Access (UK) Education Limited ("Access UK") (Note 42) | United Kingdom | 100 ordinary shares | N/A | 60% | Provision of education services |
| Charter Merit Limited | Hong Kong | 2 ordinary shares | 100% | 100% | Holding of a club membership |
| Charter Paradise Limited | Hong Kong | 2 ordinary shares | 100% | 100% | Holding of a club membership |
| K.P.I. Development Limited | Hong Kong | 2 ordinary shares and 10,000 non-voting deferred shares | 100% | 100% | Securities trading |

## 14. Investments in Subsidiaries *(Continued)*

| Name | Place of incorporation/ registration and operations | Particulars of issued and paid-up capital/ registered share capital | Percentage of equity interest attributable to the Company 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| K.P.I. Industries Limited | Hong Kong | 2 ordinary shares and 2 non-voting deferred shares | 100% | 100% | Holding of club memberships |
| Kronos Real Estate Agency Limited | Hong Kong | 2 ordinary shares | 100% | 100% | Property Agent |
| KP Financial Holdings Limited | Hong Kong | 1 ordinary share | 100% | 100% | Investment holding |
| QL Credit Gain Finance Company Limited | Hong Kong | 1,000,000 ordinary shares | 100% | 100% | Money lending |
| KP Credit Gain Finance Company Limited | Hong Kong | 1,000,000 ordinary shares | 100% | 100% | Money lending |
| Oyster Pie Solutions Limited (Note 41) | Hong Kong | 100 ordinary shares | 100% | N/A | Money lending |
| 北京中嘉利通商貿有限公司 (note a) | The PRC | Registered capital RMB30,000,000 | 100% | 100% | Provision of investment consultancy services |
| 北京中港佳鄰商業有限公司 (note a) | The PRC | Registered capital US$13,000,000 | 100% | 100% | Provision of financing consultancy services |
| 北京中金投財務諮詢有限公司 (note a) | The PRC | Registered capital US$300,000 | 100% | 100% | Provision of financing consultancy services |
| 北京中金港資產管理有限公司 (note b) | The PRC | Registered capital RMB200,000,000 | 100% | 100% | Provision of financing consultancy services |
| 北京中金投典當行有限公司 (note b) | The PRC | Registered capital RMB200,000,000 | 100% | 100% | Money lending |
| 北京惠豐融金小額貸款有限公司 (note b) | The PRC | Registered capital RMB50,000,000 | 70% | 70% | Micro-lending |

## 14. Investments in Subsidiaries *(Continued)*

| Name | Place of incorporation/ registration and operations | Particulars of issued and paid-up capital/ registered share capital | Percentage of equity interest attributable to the Company 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| 北京融信嘉資產管理有限公司 (note b) | The PRC | Registered capital RMB100,000,000 | **100%** | 100% | Provision of financing consultancy services |
| 北京朗明格諮詢有限公司 (note b) | The PRC | Registered capital RMB27,500,000 | **100%** | 100% | Provision of financing consultancy services |
| 中金恒豐(北京)科技服務有限公司 (note b) | The PRC | Registered capital RMB10,000,000 | **100%** | 100% | Provision of financing consultancy services |
| 成都市武侯惠信小額貸款有限責任公司 (note c) | The PRC | Registered capital RMB300,000,000 | **90%** | 90% | Micro-lending |
| 北京啟航暢聯科技有限公司 (note a) | The PRC | Registered capital RMB91,000,000 | **100%** | 100% | Provision of technical services |
| 北京誠通萬鈞諮詢有限公司 (note b) | The PRC | Registered capital RMB80,000,000 | **100%** | 100% | Provision of corporate management consultancy services |
| 北京領路達航咨詢有限公司 (note b) | The PRC | Registered capital RMB5,000,000 | **100%** | 100% | Provision of financing consultancy service |
| 北京中金融華商業保理有限公司 (note b) | The PRC | Registered capital RMB50,000,000 | **100%** | 100% | Provision of factoring service |
| 北京中金龍興投資管理有限公司 (note a) | The PRC | Registered capital RMB300,000,000 | **100%** | 100% | Provision of financing consultancy services |
| 北京金財睿咨詢有限公司 (note b) | The PRC | Registered capital RMB100,000,000 | **100%** | 100% | Provision of financing consultancy services |

## 14. Investments in Subsidiaries *(Continued)*

Notes:

a) The entity is a wholly-foreign-owned enterprise established in the PRC.

b) The entity is a limited liability company established in the PRC.

c) The entity is a sino-foreign enterprise established in the PRC.

The following table lists out the information relating to the subsidiaries of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

| | 北京惠豐融金小額貸款有限公司 | | 成都市武侯惠信小額貸款有限責任公司 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| NCI percentage | **30%** | 30% | **10%** | 10% |
| Current assets | **135,935** | 145,617 | **337,011** | 343,195 |
| Non-current assets | **1,653** | 1,963 | **86,767** | 124,954 |
| Current liabilities | **(566)** | (812) | **(20,265)** | (24,142) |
| Non-current liabilities | **–** | – | **–** | (960) |
| Net assets | **137,022** | 146,768 | **403,513** | 443,047 |
| Carrying amount of NCI | **41,106** | 44,031 | **40,351** | 44,305 |
| Revenue | **6,015** | 6,901 | **56,057** | 55,583 |
| Profit for the year | **2,793** | 2,951 | **32,845** | 35,656 |
| Total comprehensive (expense)/income | **(9,747)** | 7,012 | **(4,606)** | 48,267 |
| Profit allocated to NCI | **838** | 885 | **3,284** | 3,566 |
| Dividend paid to NCI | **–** | – | **3,493** | 3,253 |
| Cash flows from operating activities | **9,520** | 1,224 | **85,118** | (94,848) |
| Cash flows from investing activities | **168** | 261 | **549** | 1,146 |
| Cash flows from financing activities | **(2)** | – | **(938)** | (926) |

## 15. Goodwill

| | HK$'000 |
|---|---|
| **Carrying amount** | |
| At 1 January 2021 | 500,726 |
| Impairment loss on goodwill | (128,389) |
| Exchange adjustment | 12,167 |
| At 31 December 2021 and 1 January 2022 | 384,504 |
| Arising on acquisition of subsidiaries (Note 41) | 2,582 |
| Disposal of subsidiaries (Note 42) | (18,564) |
| Exchange adjustment | (31,000) |
| At 31 December 2022 | 337,522 |

Goodwill has been allocated for impairment testing purpose to the following CGUs.

- Financing business in Beijing, the PRC ("Division A")
- Education business in United Kingdom ("Division B")
- Financing business in Shenzhen ("Division C")
- Financing business in Hong Kong ("Division D")

The carrying amounts of goodwill as at 31 December 2022 and 31 December 2021 allocated to these CGUs are as below:

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Division A | **334,696** | 365,673 |
| Division B | **–** | 18,564 |
| Division C | **244** | 267 |
| Division D | **2,582** | – |
| | **337,522** | 384,504 |

## 15. Goodwill *(Continued)*

### *Division A*

The recoverable amount of the Division A is determined based on the value in use calculations from a business valuation report on the Division A prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2021: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a five-year period (2021: five-year period). Cash flows beyond the five-year period (2021: five-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the Division A operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to Division A.

Key assumptions used for the value-in-use calculations are as follows:

| | **2022** | 2021 |
|---|---|---|
| Growth rate | **2.0%** | 2.0% |
| Operating margin | **45.4%** | 64.3% |
| Discount rate | **12.57%** | 11.9% |

Management determined the budgeted operating margin based on past performance and its expectation for market development.

During the year ended 31 December 2022, since the recoverable amount of Division A was larger than its carrying amount, the directors of the Company considered that no impairment of goodwill allocated to Division A was recognised.

During the year ended 31 December 2021, the trend for interest rate for loan receivables is estimated to be downward under the present economic environment, resulting in the lower estimated future revenue than previously expected. In addition, the trend for ECL for loan receivables is estimated to be upward, resulting in a lower income than previously expected. Accordingly, the estimated recoverable amount of Division A was lower than its carrying amount, hence an impairment loss of HK$128,389,000 was recognised on the goodwill allocated to Division A for the year ended 31 December 2021.

## 15. Goodwill *(Continued)*

### *Division B*

For the year ended 31 December 2021, the recoverable amount of the Division B was determined based on the value in use calculations from a business valuation report on the Division B prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited. These calculations used cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate stated below which was by reference to the forecasts included in industry reports. The growth rates used did not exceed the long-term average growth rates for the business in which the Division B operated. The cash flows were discounted using the discount rate stated below. The discount rates used were pre-tax and reflected specific risks relating to Division B. No impairment loss on goodwill relating to Division B was recognised during the year ended 31 December 2021.

On 30 June 2022, the Group disposed of 26% equity interest of Access Global. Access Global and its subsidiary, Access UK (collectively referred to as the "Access Global Group") which, since then, have become the associates of the Group. Accordingly, the goodwill relating to Division B (i.e. Access Global Group) has been derecognised upon the disposal. Details of the disposal are set out in Note 42.

### *Division C and Division D*

For the year ended 31 December 2022, since the recoverable amounts of Division C and Division D were larger than the carrying amounts, the directors of the Company considered that no impairment of goodwill was recognised (2021: Nil).

## 16. Intangible Assets

| | Club memberships HK$'000 | Tradenames HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2021 | 15,176 | 19,371 | 34,547 |
| Impairment | (1,073) | (19,371) | (20,444) |
| At 31 December 2021 | 14,103 | – | 14,103 |
| Impairment | (538) | – | (538) |
| At 31 December 2022 | 13,565 | – | 13,565 |

The tradenames and club memberships have been considered to have indefinite lives because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

For the year ended 31 December 2022, the directors of the Company considered that the recoverable amount of the club memberships was lower than its carrying amount, an impairment of HK$538,000 (2021: HK$1,073,000) was recogised in the profit or loss during the year. Tradenames has been fully impaired with the amount HK$19,371,000 during the year ended 31 December 2021.

## 17. Interests in Associates

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Carrying amount in the consolidated statement of financial position | **30,289** | 19,535 |

The following list contains the particulars of associates, which are unlisted corporate entities whose quoted market price are not available.

| Name of associate | Place of incorporation/ registration and operations | Particulars of issued and paid-up capital/ registered share capital | Proportion of ownership interest and voting rights held by the Group 2022 | 2021 | Principal activity |
|---|---|---|---|---|---|
| 北京中匯豐源融資租賃有限公司 ("中匯豐源")(note (i)) | The PRC | Registered capital USD10,000,000 | **25%** | 25% | Not yet commenced operation |
| KGH Holdings Limited ("KGH") (note (ii)) | Republic of Seychelles | 100 ordinary shares | **40%** | 40% | Investment holding |
| Thetford Grammar School Limited ("Thetford Grammar School") (note (ii)) | United Kingdom | 5,760,480 ordinary shares | **40%** | 40% | Provision of education services |
| 北京達隆恆業管理咨詢有限公司 ("達隆恆業") (note (iii)) | The PRC | Registered capital RMB10,000,000 | **20%** | 20% | Provision of consultancy services |
| Access Global (Note 42) | Hong Kong | 1,000 ordinary shares | **34%** | N/A | Provision of education services |
| Access UK (Note 42) | United Kingdom | 100 ordinary shares | **34%** | N/A | Provision of education services |

## 17. Interests in Associates *(Continued)*

Notes:

(i) 中匯豐源 is established in the PRC in the form of sino-foreign equity enterprise.

The Company has an obligation to contribute an amount of US$2,000,000 (equivalent to approximately HK$15,600,000) (2021: US$2,000,000 (equivalent to approximately HK$15,600,000)), representing 25% equity interest to 中匯豐源.

(ii) KGH held 100% equity interest in Thetford Grammar School. KGH and Thetford Grammar School are collectively referred to as the "KGH Group".

(iii) The Group acquired 20% equity interest in 北京達隆恆業管理咨詢有限公司 ("達隆恆業") from 北京萬方達隆物業管理有限公司 where Mr. Cheung is the director of 北京萬方達隆物業管理有限公司.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

### a) *Summarised financial information of 中匯豐源*

Financial information about the Group's interest in 中匯豐源, that is not material, is disclosed below:

| | 中匯豐源 | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Loss for the year | **(13)** | (20) |
| Other comprehensive (expense)/income for the year | **(1,279)** | 432 |
| Total comprehensive (expense)/income for the year | **(1,292)** | 412 |
| Carrying amount in the consolidated financial statements | **3,453** | 3,776 |

## 17. Interests in Associates *(Continued)*

### b) *Summarised financial information of KGH Group*

Summarised financial information of KGH Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | KGH Group | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Non-current assets | **36,489** | 36,287 |
| Current assets | **6,835** | 8,964 |
| Current liabilities | **24,136** | 23,488 |
| Equity | **19,188** | 21,763 |
| Revenue | **27,366** | 30,204 |
| (Loss)/profit for the year | **(2,575)** | 673 |
| Other comprehensive expense for the year | **–** | (123) |
| Total comprehensive (expense)/income for the year | **(2,575)** | 550 |

*Reconciliation of the above summarised financial information of KGH Group to the carrying amount of the interest in associate recognised in the consolidated financial statements:*

| | KGH Group | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Net assets of the associate | **19,188** | 21,763 |
| Group's effective interest | **40%** | 40% |
| Group's share of net assets of the associate | **7,675** | 8,705 |
| Goodwill (note) | **7,054** | 7,054 |
| Carrying amount in the consolidated financial statements | **14,729** | 15,759 |

Note: The recoverable amount of the KGH Group is determined based on the value in use calculations, from a business valuation report on the KGH Group prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited.

Based on the valuation, no impairment loss on interests in associates relating to KGH Group was recognised during the year ended 31 December 2022 (2021: Nil).

## 17. Interests in Associates *(Continued)*

### c) *Summarised financial information of 達隆恆業*

Summarised financial information of 達隆恆業, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | 達隆恆業 | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Current assets | **200,678** | 303,262 |
| Current liabilities | **234,601** | 324,783 |
| Deficit | **(33,923)** | (21,521) |
| Loss for the year | **(14,794)** | (22,001) |
| Other comprehensive income/(expense) for the year | **2,392** | (310) |
| Total comprehensive expense for the year | **(12,402)** | (22,311) |

*Reconciliation of the above summarised financial information of 達隆恆業 to the carrying amount of the interest in associate recognised in the consolidated financial statements:*

| | 達隆恆業 | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Net liabilities of the associate | **(33,923)** | (21,521) |
| Group's effective interest | **20%** | 20% |
| Group's share of net assets of the associate | **–** | – |
| Carrying amount in the consolidated financial statements | **–** | – |

## 17. Interests in Associates *(Continued)*

### d) *Summarised financial information of Access Global Group*

Summarised financial information of Access Global Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | Access Global Group 2022 HK$'000 |
|---|---|
| Non-current assets | 6 |
| Current assets | 4,454 |
| Current liabilities | 4,370 |
| Equity | 90 |
| Revenue | 1,446 |
| Profit for the year | 260 |
| Total comprehensive income for the year | 260 |

*Reconciliation of the above summarised financial information of Access Global Group to the carrying amount of the interest in associate recognised in the consolidated financial statements:*

| | Access Global Group 2022 HK$'000 |
|---|---|
| Net assets of the associate | 90 |
| Group's effective interest | 34% |
| Group's share of net assets of the associate | 31 |
| Goodwill (note) | 12,076 |
| Carrying amount in the consolidated financial statements | 12,107 |

Note: The recoverable amount of the Access Global Group is determined based on the value in use calculations, from a business valuation report on the Access Global Group prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited.

Based on the valuation, no impairment loss on interests in associates relating to Access Global Group was recognised during the year ended 31 December 2022 (2021: N/A).

## 18. Interests in Joint Ventures

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Carrying amount in the consolidated statement of financial position | – | – |

The following list contains the particulars of joint ventures, which are an unlisted corporate entities whose quoted market price are not available.

| Name of joint venture | Place of incorporation/ registration and operation | Particulars of issued capital | Proportion of ownership interest and voting rights held by the Group 2022 | 2021 | Principal activity |
|---|---|---|---|---|---|
| Oyster Pie Group Limited (Note 41) | Hong Kong | 400 ordinary shares | N/A | 50% | Investment holding |
| Oyster Pie Solutions Limited (Note 41) | Hong Kong | 100 ordinary shares | N/A | 50% | Money lending |

Note: Oyster Pie Group Limited held 100% equity interest in Oyster Pie Solutions Limited. They are collectively referred to as the "Oyster Pie Group".

All of the above joint ventures were accounted for using the equity method in the consolidated financial statements.

On 31 August 2022, the Group acquired the remaining 50% equity interest in Oyster Pie Group Limited and, since then, the Oyster Pie Group have become wholly-owned subsidiaries of the Company. A gain of HK$1,000,000 was recognised in profit or loss for the derecognition of interest in joint ventures of Oyster Pie Group upon the acquisition of remaining 50% equity interest in Oyster Pie Group Limited. Refer to Note 41 for details.

## 18. Interests in Joint Ventures *(Continued)*

*Summarised financial information of Oyster Pie Group*

Summarised financial information of Oyster Pie Group, adjusted for any difference in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

| | **Oyster Pie Group** 2021 HK$'000 |
|---|---|
| Non-current assets | 388 |
| Current assets | 463 |
| Current liabilities | 953 |
| Deficit | (102) |
| Loss for the year | (812) |
| Total comprehensive expenses for the year | (812) |

*Reconciliation of the above summarised financial information to the carrying amount of the interest in joint venture recognised in the consolidated financial statements:*

| | **Oyster Pie Group** 2021 HK$'000 |
|---|---|
| Net liabilities of the joint venture | (102) |
| Group's effective interest | 50% |
| Group's share of net assets of the joint venture | – |
| Carrying amount in the consolidated financial statements | – |

## 19. Other Financial Assets

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Financial assets mandatory measured at FVTPL | | |
| – Equity securities listed in Hong Kong | **5,756** | 1,653 |
| – Unlisted investment funds in the PRC | **11,925** | 13,223 |
| Financial assets designated as at FVTPL | | |
| – Unlisted debt securities | **–** | 14,198 |
| Total | **17,681** | 29,074 |

## 20. Contingent Consideration Receivables

Contingent consideration receivables represented the profit guarantee arising from the acquisition of KGH Group during the year ended 31 December 2018. The contingent consideration receivables are measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivables is as follows:

| | HK$'000 |
|---|---|
| **At fair value** | |
| At 1 January 2021 | 10,216 |
| Fair value change | (3,101) |
| At 31 December 2021 and 1 January 2022 | 7,115 |
| Fair value change | 11,079 |
| Transfer to other receivables (Note 23) | (18,194) |
| At 31 December 2022 | – |

## 20. Contingent Consideration Receivables *(Continued)*

Pursuant to the sale and purchase agreement, a four-year profit guarantee with profit of each anniversary date of 31 August 2019, 31 August 2020, 31 August 2021 and 31 August 2022 should not be less than Nil, GBP300,000, GBP600,000 and GBP900,000, respectively.

The profit guarantee terms have been matured on 31 August 2022 and the guaranteed profit cannot be met, such receivable of HK$18,194,000 has been transferred to consideration receivables under other receivables upon the maturity of profit guarantee terms during the year ended 31 December 2022.

The fair value of the contingent consideration receivables for the year ended 31 December 2021 was based on the valuation performed by Peak Vision Appraisals Limited, an independent professional valuer not connected with the Group.

## 21. Loan Receivables

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Pawn loan receivables | **222,472** | 171,876 |
| Loan receivables arising from: | | |
| – Micro-lending | **934,231** | 1,365,704 |
| – Money-lending | **258,828** | 328,267 |
| Loan receivables from the Incidents | **983,630** | 1,074,667 |
| Other loan receivables | **261,016** | 337,727 |
| | **2,660,177** | 3,278,241 |
| Less: Impairment | **(1,035,170)** | (1,139,806) |
| | **1,625,007** | 2,138,435 |
| Amounts due within one year | **1,372,746** | 1,816,339 |
| Amounts due after one year | **252,261** | 322,096 |
| | **1,625,007** | 2,138,435 |

## 21. Loan Receivables *(Continued)*

The loan receivables in the PRC carry interest plus service charge at a range of monthly effective rates of 0.70% to 4.29% (2021: 0.74% to 3.00%), and the loan receivables in Hong Kong carry interest at a range of monthly effective rates of 0.35% to 4.99% (2021: 0.33% to 4.99%).

A typical loan generally has a term of 60 days to 30 years (2021: 30 days to 30 years).

As at 31 December 2022, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$923,042,000 (2021: HK$1,037,638,000) which are past due. Out of the past due balances, HK$870,076,000 (2021: HK$888,670,000) has been past due 90 days or more. The directors of the Company consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired.

As at 31 December 2021, certain loan receivables with the aggregate amount of HK$161,078,000 were pledged to the vendor to secure the consideration payable for acquisitions of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong. Such loan receivables have been released upon the Group paid the consideration to the vendor in 8 April 2022.

Total loan receivables of RMB162,280,000 (equivalent to approximately HK$181,670,000) (2021: RMB162,280,000 (equivalent to approximately HK$198,483,000)) are due from Zhongjin Jiasheng Investment Fund Management (Beijing) Co. Ltd.* (中金佳晟投資基金管理(北京)有限公司) ("Zhongjin Jiasheng"), who also acts as an agent to assist the Group to negotiate for one-off settlement arrangements directly with the investors/lenders related to the Incidents during the year ended 31 December 2022. No outstanding payable balance with Zhongjin Jiasheng is noted as at 31 December 2022 (2021: Nil).

* *The English translation of the Company's name is for reference only. The official name of the Company is in Chinese.*

## 21. Loan Receivables *(Continued)*

### a) *Maturity profile*

As at the end of the reporting period, the maturity profile of loan receivables, based on maturity date, is as follows:

#### (i) *As at 31 December 2022*

| | Pawn loan receivables HK$'000 | Loan receivables arising from micro-lending HK$'000 | Loan receivables arising from money-lending HK$'000 | Loan receivables from the Incidents HK$'000 | Other loan receivables HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Due within 1 month or on demand | 219,150 | 531,415 | 10,624 | 983,630 | 259,392 | 2,004,211 |
| Due after 1 month but within 3 months | 2,799 | 78,747 | 7,481 | – | – | 89,027 |
| Due after 3 months but within 6 months | – | 171,900 | 11,165 | – | – | 183,065 |
| Due after 6 months but within 12 months | – | 66,065 | 63,490 | – | – | 129,555 |
| Due after 12 months | 523 | 86,104 | 166,068 | – | 1,624 | 254,319 |
| Impairment | (1,964) | (37,558) | (3,641) | (983,630) | (8,377) | (1,035,170) |
| | 220,508 | 896,673 | 255,187 | – | 252,639 | 1,625,007 |

#### (ii) *As at 31 December 2021*

| | Pawn loan receivables HK$'000 | Loan receivables arising from micro-lending HK$'000 | Loan receivables arising from money-lending HK$'000 | Loan receivables from the Incidents HK$'000 | Other loan receivables HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Due within 1 month or on demand | 135,641 | 587,800 | 41,193 | 1,074,667 | 337,727 | 2,177,028 |
| Due after 1 month but within 3 months | 3,914 | 166,412 | 14,107 | – | – | 184,433 |
| Due after 3 months but within 6 months | 27,520 | 248,396 | 17,287 | – | – | 293,203 |
| Due after 6 months but within 12 months | 4,801 | 234,250 | 56,575 | – | – | 295,626 |
| Due after 12 months | – | 128,846 | 199,105 | – | – | 327,951 |
| Impairment | (12,915) | (35,761) | (10,625) | (1,074,667) | (5,838) | (1,139,806) |
| | 158,961 | 1,329,943 | 317,642 | – | 331,889 | 2,138,435 |

## 21. Loan Receivables *(Continued)*

### b) *Reconciliation of changes in allowance for ECL of loan receivables*

| | Not credit – impaired | | Credit – impaired | Total |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | Allowance for ECL HK$'000 | Allowance for ECL HK$'000 | Allowance for ECL HK$'000 | Allowance for ECL HK$'000 |
| At 1 January 2022 | 1,268 | 1,028 | 1,137,510 | 1,139,806 |
| Transfer of stages: | | | | |
| – transfers to Stage 2 | (54) | 54 | – | – |
| – transfers to Stage 3 | (15) | (249) | 264 | – |
| Net changes of ECL from loan receivables due from existing debtors | (921) | (15) | (10,407) | (11,343) |
| Recognition of ECL on new loan receivables originated | 901 | 726 | 197 | 1,824 |
| Exchange adjustment | (12) | (24) | (95,081) | (95,117) |
| **At 31 December 2022** | 1,167 | 1,520 | 1,032,483 | 1,035,170 |

| | Not credit – impaired | | Credit – impaired | Total |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | Allowance for ECL HK$'000 | Allowance for ECL HK$'000 | Allowance for ECL HK$'000 | Allowance for ECL HK$'000 |
| At 1 January 2021 | 2,755 | 12,049 | 1,401,719 | 1,416,523 |
| Transfer of stages: | | | | |
| – transfers to Stage 2 | (76) | 76 | – | – |
| – transfers to Stage 3 | (59) | (1,478) | 1,537 | – |
| Net changes of ECL from loan receivables due from existing debtors | (2,381) | (10,294) | (67,781) | (80,456) |
| Recognition of ECL on new loan receivables originated | 1,008 | 541 | 1,978 | 3,527 |
| Write-offs | – | – | (236,169) | (236,169) |
| Exchange adjustment | 21 | 134 | 36,226 | 36,381 |
| **At 31 December 2021** | 1,268 | 1,028 | 1,137,510 | 1,139,806 |

Details of the Group's credit policy and definitions of Stage 1, Stage 2 and Stage 3 are set out in Note 39(a).

## 22. Interest Receivables

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Interest receivables | 11,710 | 8,273 |

All of the interest receivables are expected to be recovered within one year.

### *Ageing analysis*

As at the end of the reporting period, the ageing analysis of interest receivables, based on the revenue recognition date, is as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 1 month | 2,983 | 4,622 |
| 1 to 3 months | 2,198 | 945 |
| 3 to 6 months | 952 | 590 |
| Over 6 months | 5,577 | 2,116 |
| | 11,710 | 8,273 |

Interest receivables are due on the date of billing (or on maturity date corresponding of loan receivables according to the relevant loan agreements).

As at 31 December 2022, included in the Group's interest receivables balance are debtors with aggregate carrying amount of HK$10,680,000 (2021: HK$5,321,000) which are past due. Out of the past due balances, HK$6,607,000 (2021: HK$2,306,000) has been past due 90 days or more. The directors of the Company consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired.

As at 31 December 2022, allowance for lifetime ECL of HK$5,965,000 (2021: HK$4,110,000) is recognised for interest receivables with aggregate gross carrying amount of HK$15,464,000 (2021: HK$10,553,000) which are identified as credit-impaired financial assets, and allowance of 12m ECL of HK$26,000 (2021: HK$18,000) is recognised for interest receivables with aggregate gross carrying amount of HK$2,237,000 (2021: HK$1,848,000) because there has been no significant increase in credit risk since initial recognition based on past due information.

## 23. Account and Other Receivables, Deposits and Prepayments

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Non-current asset** | | |
| Deposit paid for potential investment project | 35,000 | 35,000 |
| **Current assets** | | |
| Account receivables | – | 187 |
| Other receivables | 57,100 | 55,334 |
| Consideration receivables (Note 20) | 18,194 | – |
| Prepayments | 1,561 | 1,529 |
| Deposit placed with brokers (note) | 631 | 1,825 |
| Utility and sundry deposits | 2,025 | 3,413 |
| | 79,511 | 62,288 |
| Total | 114,511 | 97,288 |

Note: The amounts represent margin deposits placed with brokers for trading derivative financial instruments. The amounts carry interest at variable interest rates of 0.001% (2021: 0.001%) per annum.

Except for the deposits paid for potential investment project, all of the account and other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

## 24. Cash and Cash Equivalents

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Cash and cash equivalents in the consolidated statements of financial position and cash flows: | | |
| Cash at banks and on hand | **388,195** | 462,650 |
| Time deposits with original maturity within three months (note a) | **23,400** | 109,018 |
| | **411,595** | 571,668 |

Notes:

a) Deposits with banks carry interest at market rates approximately 4.35% (2021: ranged from 0.1% to 2.025%) per annum.

b) Cash at banks as at 31 December 2022 includes HK$351,665,000 (2021: HK$380,787,000) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

## 24. Cash and Cash Equivalents *(Continued)*

### a) *Reconciliation of liabilities arising from financing activities*

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

| | **Borrowings and loan payables (Note 25)** HK$'000 | **Bank loans** HK$'000 | **Unsecured bonds (Note 30)** HK$'000 | **Amount due to an associate (Note 28)** HK$'000 | **Lease liabilities (Note 31)** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 1,825,951 | 32,000 | 299,221 | 3,059 | 24,078 | 2,184,309 |
| Repayment of bank loans | – | (32,000) | – | – | – | (32,000) |
| Proceeds from new borrowings | 229,349 | – | – | – | – | 229,349 |
| Repayment of borrowings | (564,436) | – | – | – | – | (564,436) |
| Proceeds from the issue of unsecured bonds | – | – | 2,000 | – | – | 2,000 |
| Redemption of unsecured bonds | – | – | (53,390) | – | – | (53,390) |
| Repayment to an associate | – | – | – | (6) | – | (6) |
| Capital element of lease rental paid | – | – | – | – | (11,151) | (11,151) |
| Interest element of lease rental paid | – | – | – | – | (869) | (869) |
| Other interest paid | (178,076) | (1,305) | (18,136) | – | – | (197,517) |
| Increase in lease liabilities from entering into new leases during the period | – | – | – | – | 5,164 | 5,164 |
| Early termination of lease contracts | – | – | – | – | (4,891) | (4,891) |
| Increase in lease liability from lease modification | – | – | – | – | 1,730 | 1,730 |
| Interest expenses | 178,262 | 1,305 | 24,371 | – | 869 | 204,807 |
| Exchange adjustment | 38,921 | – | – | 90 | 345 | 39,356 |
| At 31 December 2021 | 1,529,971 | – | 254,066 | 3,143 | 15,275 | 1,802,455 |
| Proceeds from new borrowings | 145,200 | – | – | – | – | 145,200 |
| Repayment of borrowings | (308,820) | – | – | – | – | (308,820) |
| Redemption of unsecured bonds | – | – | (185,373) | – | – | (185,373) |
| Repayment to an associate | – | – | – | (12) | – | (12) |
| Capital element of lease rental paid | – | – | – | – | (8,394) | (8,394) |
| Interest element of lease rental paid | – | – | – | – | (512) | (512) |
| Other interest paid | (29,465) | – | (9,881) | – | – | (39,346) |
| Increase in lease liabilities from entering into new leases during the period | – | – | – | – | 2,011 | 2,011 |
| Early termination of lease contracts | – | – | – | – | (2,700) | (2,700) |
| Increase in lease liability from lease modification | – | – | – | – | 1,420 | 1,420 |
| Interest expenses | 114,608 | – | 15,221 | – | 512 | 130,341 |
| Reversal of interest payables (Note 25(c)) | (52,508) | – | – | – | – | (52,508) |
| Exchange adjustment | (97,854) | – | – | (265) | (678) | (98,797) |
| At 31 December 2022 | 1,301,132 | – | 74,033 | 2,866 | 6,934 | 1,384,965 |

## 24. Cash and Cash Equivalents *(Continued)*

### b) *Total cash outflows for leases*

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within operating cash flows | **837** | 532 |
| Within financing cash flows | **8,906** | 12,020 |
| | **9,743** | 12,552 |

## 25. Borrowings and Loan Payables

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Borrowings from employees and independent third parties | 25(a) | **68,350** | 56,854 |
| Borrowings from shareholders | 38(b) | **93,510** | 3,510 |
| Borrowings from related parties | 25(b) | **30,740** | 31,392 |
| Loan payables arising from the Incidents | 25(c) | **967,311** | 1,229,990 |
| Note payables | 25(d) | **141,221** | 208,225 |
| | | **1,301,132** | 1,529,971 |
| Amounts due within one year | | **1,240,200** | 1,391,451 |
| Amounts due after one year | | **60,932** | 138,520 |
| | | **1,301,132** | 1,529,971 |

## 25. Borrowings and Loan Payables *(Continued)*

a) The borrowings from employees and independent third parties bore a finance cost measured at a range of annualised rates of 7% to 9.5% (2021: 6.5% to 8.5%), were repayable within one year and not secured by any assets or guarantees of the Group.

b) The borrowings from Geston Limited, a company that is controlled by Madam Lo Wan ("Madam Lo"), bore finance costs measured at an annualised rate of 9% (2021: annualised rates ranged from 6% to 9%) and were repayable within one year and not secured by any assets or guarantees of the Group.

The borrowings from Mr. Zhang bore a finance cost measured at an annualised rate of 7.6% (2021: annualised rates ranged from 7.5% to 7.6%) and were repayable within one year and not secured by any assets or guarantees of the Group.

c) Two former executive directors of the Company (the "Relevant Directors") had, without authorisation of the board of directors, executed certain guarantee contracts purportedly for and on behalf of the Company to guarantee payment obligations under certain financial products issued by certain subsidiaries of the Company and certain other companies outside the Group (the "Unauthorised Guarantees"), where the proceeds arise from such financial products (the "Unauthorised Loans") were lent, either directly or through the personal bank accounts of certain employees of the Group, to independent third parties of the Company for earning interest income (the "Unauthorised Loan Receivables"). All of the Unauthorised Guarantees, Unauthorised Loans, and Unauthorised Loan Receivables including the interest income, interest expenses and related handing charges have not been fully recorded in the books and records of those relevant subsidiaries accordingly under the instructions of the Relevant Directors. These fraudulent activities of the Relevant Directors are referred as the "Incidents".

The Incidents resulted in material restatements to the Group's consolidated financial statements for the years ended 31 December 2017 to 2019 and correction of misstatement was made in the Group's consolidated financial statements for the year ended 31 December 2020.

References should be made to the announcements of the Company dated 19 October 2020, 26, 29 and 31 March 2021, 28 April 2021, 8 and 28 June 2021, 2 July 2021, 28 September 2021, 6 and 12 January 2022, 9, 23 and 31 March 2022, 30 June 2022, 6 September 2022 and 11 November 2022 regarding to the details of the Incidents and the summary of findings from the Independent Consultant and Internal Control Reviewer.

## 25. Borrowings and Loan Payables *(Continued)*

c) *(Continued)*

The Group, with the assistance of Zhongjin Jiasheng, had successfully achieved settlement with certain investors/lenders in respect of the Unauthorised Loans. Consequently, certain interest payables of HK$52,508,000 was reversed to profit or loss for the year.

As at 31 December 2022, out of the total loan payables arising from the Incidents, HK$788,509,000 (2021: HK$1,067,781,000) and HK$178,802,000 (2021: HK$162,209,000) relates to unsettled Unauthorised Loans and related interest payables respectively. Interest of HK$84,272,000 (2021: HK$145,308,000) in relation to those unsettled Unauthorised Loans has been recognised in the profit or loss during the year.

d) In February 2018, the Company issued note with principal amount of HK$270,000,000. Pursuant to the subscription agreement dated 15 February 2018 and deed of amendment dated 3 November 2022, the note bears interest of 8% per annum and is secured by equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly-owned subsidiaries of the Company, personal guarantee given by Mr. Cheung and Madam Lo, a shareholder of the Company and mother of Dr. Cheung and Mr. Cheung and Madam Lo deposited 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note is repayable in May 2024.

e) As at 31 December 2022, the aggregate amount of outstanding financial guarantees of the Company under certain financial products issued by third parties amounts to RMB79,805,000 (equivalent to approximately HK$89,340,000) (2021: RMB99,700,000 (equivalent to approximately HK$121,942,000)) (Note 25(c)) if the guarantees were called upon in entirety. Details of the loss allowance for financial guarantee contracts are set out in Note 39(a).

## 26. Consideration Payables

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Consideration payable for acquisition of Shenzhen Credit Gain | – | 39,741 |
| Consideration payable for acquisition of Chongqing Credit Gain | – | 57,688 |
| | – | 97,429 |

The amounts were paid in cash in three equal installments on each anniversary of the completion date of the acquisition since the year 2019 at an interest rate of prime rate minus 1.75% and were fully settled during the year ended 31 December 2022.

## 27. Other Payables, Accruals and Deposits Received

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Other payables | 66,634 | 87,661 |
| Accrued salaries and other benefits | 2,723 | 3,409 |
| Other accrued expenses | 25,197 | 12,945 |
| Deposits received | 1,489 | – |
| Dividend payable | 739 | 739 |
| Other tax payables | 3,595 | 4,550 |
| Security deposits received | – | 3,075 |
| Income received in advance | – | 416 |
| | 100,377 | 112,795 |

As at 31 December 2022, all of the other payables, accruals and deposits received are expected to be settled within one year or are repayable on demand.

## 28. Amounts Due from/(to) Associates and Joint Ventures

The maximum outstanding balances of amounts due from associates during the year ended 31 December 2022 was HK$67,137,000 (2021: HK$67,137,000).

The maximum outstanding balances of amounts due from joint ventures during the year ended 31 December 2022 was HK$3,142,000 (2021: HK$923,000).

The maximum outstanding balance of amount due to an associate during the year ended 31 December 2022 was HK$3,143,000 (2021: HK$3,143,000).

The amounts are unsecured, interest free and recoverable/repayable on demand.

## 29. Deferred Taxation

*a)* The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

| Deferred tax arising from: | ECL on loan receivables HK$'000 | Tax losses HK$'000 | Withholding tax HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2021 | – | (8,522) | 37,465 | 28,943 |
| Charged to profit or loss (Note 9(a)) | – | 1,870 | 544 | 2,414 |
| Exchange adjustment | – | (222) | 981 | 759 |
| At 31 December 2021 and 1 January 2022 | – | (6,874) | 38,990 | 32,116 |
| (Credited)/charged to profit or loss (Note 9(a)) | (9,301) | 6,543 | 2,937 | 179 |
| Exchange adjustment | 357 | 331 | (3,417) | (2,729) |
| At 31 December 2022 | (8,944) | – | 38,510 | 29,566 |

*b)* *Deferred tax assets not recognised*

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has not recognised deferred tax assets in respect of the cumulative tax losses of HK$782,089,000 (2021: HK$670,654,000) for its Hong Kong and the PRC incorporated subsidiaries due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation in Hong Kong and can be carried forward up to five years from the year in which the loss was incurred under current tax legislation in the PRC.

*c)* *Deferred tax liabilities not recognised*

As at 31 December 2022, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was HK$654,088,000 (2021: HK$759,274,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 30. Unsecured Bonds

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost.

| | Coupon rate per annum | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Unsecured bonds of HK$220,000,000 due 2022 (issued in 2015) | 7.00% | – | 196,772 |
| Unsecured bonds of HK$10,000,000 due 2022 (issued in 2016) | 5.00% | – | 9,726 |
| Unsecured bonds of HK$11,413,000 due 2022 (issued in 2017) | 2.00% | – | 11,413 |
| Unsecured bonds of HK$1,170,000 due 2022 (issued in 2019) | 5.00% | – | 1,193 |
| Unsecured bonds of HK$390,000 due 2022 (issued in 2020) | 5.00% | – | 385 |
| Unsecured bonds of HK$26,600,000 due 2023 (renewed in 2022) | 5.00% | 27,741 | – |
| | | 27,741 | 219,489 |
| **Non-current liabilities** | | | |
| Unsecured bonds of HK$10,000,000 due 2024 (issued in 2016) | 6.00% | 9,628 | 9,477 |
| Unsecured bonds of HK$14,145,800 due 2024 (issued in 2018) | 5.00% | 13,647 | 13,297 |
| Unsecured bonds of HK$10,000,000 due 2025 (issued in 2018) | 4.50% | 9,999 | 9,999 |
| Unsecured bonds of HK$2,000,000 due 2024 (issued in 2020) | 3.00% | 1,890 | 1,804 |
| Unsecured bonds of HK$10,000,000 due 2024 (renewed in 2022) | 5.00% | 11,128 | – |
| | | 46,292 | 34,577 |
| | | 74,033 | 254,066 |

## 31. Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Present value of the minimum lease payments** | **Total minimum lease payments** | Present value of the minimum lease payments | Total minimum lease payments |
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| Within 1 year | **4,166** | **4,479** | 9,555 | 10,106 |
| After 1 year but within 2 years | **2,340** | **2,443** | 4,167 | 4,330 |
| After 2 years but within 5 years | **428** | **430** | 1,553 | 1,574 |
| | **6,934** | **7,352** | 15,275 | 16,010 |
| Less: total future interest expenses | | **(418)** | | (735) |
| Present value of lease liabilities | | **6,934** | | 15,275 |

## 32. Share Capital

*Issued share capital*

| | No. of shares | HK$'000 |
|---|---|---|
| **Ordinary shares, issued and fully paid:** | | |
| At 1 January 2021 | 4,185,721,347 | 2,080,113 |
| Shares consolidation | (3,976,435,280) | – |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | 209,286,067 | 2,080,113 |

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

*Share consolidation*

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

## 33. Reserves

### a) *Movements in components of equity*

The reconciliation of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

*The Company*

| | Share-based compensation reserve HK$'000 | Shares held under the share award scheme HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 1 January 2021** | 29,675 | (56,661) | (1,145,527) | (1,172,513) |
| Loss and total comprehensive expense for the year | – | – | (251,912) | (251,912) |
| **At 31 December 2021 and 1 January 2022** | 29,675 | (56,661) | (1,397,439) | (1,424,425) |
| Profit and total comprehensive income for the year | – | – | 1,691 | 1,691 |
| **At 31 December 2022** | 29,675 | (56,661) | (1,395,748) | (1,422,734) |

## 33. Reserves *(Continued)*

### b) *Dividends*

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of each reporting period.

### c) *Nature and purpose of reserves*

#### (i) *Share-based compensation reserve*

The share-based compensation reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policies adopted for share-based payments.

#### (ii) *Share held under the share award scheme*

The reserve is dealt with in accordance with the Group's accounting policies relevant to share award scheme.

#### (iii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of which functional currency is not HK$.

#### (iv) *Statutory surplus reserve*

According to the Company's PRC subsidiaries' articles of association, each PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to offset previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

## 34. Employee Retirement Benefits

*Defined contribution retirement plan*

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

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

## 35. Share Options

*Equity-settled share option schemes*

The share option scheme adopted by the Company on 7 June 2004 (the "2004 Share Option Scheme") was terminated on 6 June 2014, and the Company adopted a new share option scheme on 20 May 2014 (the "2014 Share Option Scheme", together with the 2004 Share Option Scheme are referred to as the "Option Schemes") at the Company's annual general meeting held on 20 May 2014. No further options shall be offered under the 2004 Share Option Scheme, but in all other respects the provisions of the 2004 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2014 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

According to the terms of the Option Schemes, the directors of the Company are authorised, at their discretion, to invite employees or any person who has contributions to the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The options are exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

## 35. Share Options *(Continued)*

### *Equity-settled share option schemes (Continued)*

*The number and weighted average exercise prices of share options are as follows:*

| Type of participant | Option type | Date of grant | Exercise price per share HK$ | Exercise period | Outstanding at 1/1/2022 '000 | Granted during the year '000 | Exercised during the year '000 | Forfeited during the year '000 | Expired during the year '000 | Outstanding at 31/12/2022 '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service providers | 2014 | 11/04/2014 | 13.20 | 11/04/2014-10/04/2024 | 1,500 | – | – | – | – | 1,500 |
| | 2015 | 26/08/2015 | 10.92 | 26/08/2015-25/08/2025 | 2,750 | – | – | – | – | 2,750 |
| | | | | | 4,250 | – | – | – | – | 4,250 |
| | Exercisable at the end of the year | | | | | | | | | 4,250 |
| | Weighted average exercise price | | | | HK$11.725 | – | – | – | – | HK$11.725 |

| Type of participant | Option type | Date of grant | Exercise price per share HK$ | Exercise period | Outstanding at 1/1/2021 '000 | Consolidated during the year '000 | Granted during the year '000 | Exercised during the year '000 | Forfeited during the year '000 | Expired during the year '000 | Outstanding at 31/12/2021 '000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Service providers | 2014 | 11/04/2014 | 13.20 | 11/04/2014-10/04/2024 | 30,000 | (28,500) | – | – | – | – | 1,500 |
| | 2015 | 26/08/2015 | 10.92 | 26/08/2015-25/08/2025 | 55,000 | (52,250) | – | – | – | – | 2,750 |
| | | | | | 85,000 | (80,750) | – | – | – | – | 4,250 |
| | Exercisable at the end of the year | | | | | | | | | | 4,250 |
| | Weighted average exercise price | | | | HK$0.586 | N/A | – | – | – | – | HK$11.725 |

The options outstanding at 31 December 2022 had an exercise price of HK$13.20 or HK$10.92 (2021: HK$13.20 or HK$10.92) and a weighted average remaining contractual life of 2.17 years (2021: 3.17 years).

## 36. Share Award Scheme

The directors of the Company adopted a share award scheme (the "Scheme") to recognise the contribution by employee(s), director(s) or advisor(s) of any member of the Group (the "Grantees") and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The movements of share held under the share award scheme recognised in equity are as follows:

| | No. of shares | HK$'000 |
|---|---|---|
| At 1 January 2021 | 139,254,000 | 56,661 |
| Shares consolidation | (132,291,300) | – |
| At 31 December 2021 and 31 December 2022 | 6,962,700 | 56,661 |

During the years ended 31 December 2022 and 2021, there are no acquisition of shares of the Company for the Scheme through purchase, in open market by the trustee.

Up to the date of approval of the Group's consolidated financial statements for the year ended 31 December 2022, no award shares are granted to selected Grantees.

## 37. Capital Commitments

As disclosed in Note 17, the Group has an obligation to settle an amount of US$2,000,000 (equivalent to approximately HK$15,600,000) as its capital contribution to 中匯豐源, an associate of the Group.

## 38. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties during the year:

### a) *Remuneration of key management personnel of the Group*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **13,124** | 12,288 |
| Post-employment benefits | **124** | 295 |
| | **13,248** | 12,583 |

Total remuneration is included in "staff costs" (see Note 8(a)).

## 38. Material Related Party Transactions *(Continued)*

### b) *Financing arrangements*

In addition to the financing arrangements with related parties disclosed elsewhere in the consolidated financial statements, the details of the borrowings from shareholders included in borrowings and loan payables are as follows:

| Name | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| *Short-term borrowings* | | | |
| Ms. Cheung Siu Hung | (1) | **3,510** | 3,510 |
| Mr. Cheung | (2) | **90,000** | – |
| | | **93,510** | 3,510 |

Note:

(1) The loan from Ms. Cheung Siu Hung, a shareholder of the Company and aunt of Dr. Cheung, is unsecured, bears interest at 7% (2021: 7%) per annum and is repayable on demand.

(2) The loan from Mr. Cheung is unsecured, bears interest at 9% per annum and is repayable on demand.

The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms and in the ordinary course of business.

## 38. Material Related Party Transactions *(Continued)*

### c) *Transactions with related parties*

(i) The details of consultancy fee paid by the Group are as follows:

| Name | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Oyster Pie Solutions Limited | **423*** | 776 |

* *Prior to the acquisition (see Note 41)*

(ii) The details of rental paid by the Group are as follows:

(1) For the year ended 31 December 2022, the Group paid office rental of approximately HK$753,000 (2021: HK$1,492,000), HK$1,150,000 (2021: HK$2,485,000) and HK$1,198,000 (2021: Nil) to 北京元長厚茶葉有限公司, 北京萬方後海前企業經營管理有限公司 and 北京達隆鼎業管理咨詢有限公司 respectively, of which Madam Lo is the beneficial owner.

(2) During the year ended 31 December 2022, the Group paid rent in respect of former director's quarter of approximately HK$1,500,000 (2021: HK$1,800,000) to Anton (H.K.) Limited, in which Mr. Cheung and Madam Lo have controlling interests. In addition, as at 31 December 2022, rental deposit of HK$300,000 (2021: HK$300,000), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

## 38. Material Related Party Transactions *(Continued)*

### c) *Transactions with related parties (Continued)*

(iii) The details of interest paid by the Group are as follows:

| Name | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Madam Lo | | **–** | 1,006 |
| Geston Limited | (1) | **3,890** | 3,379 |
| Ms. Cheung Siu Hung | | **245** | 279 |
| Mr. Zhang | | **1,583** | 38 |
| Mr. Cheung | | **4,251** | – |
| | | **9,969** | 4,702 |

Notes:

(1) Geston Limited is a company that is controlled by Madam Lo.

(iv) On 27 January 2022, the Group entered into a sale and purchase agreement with Madam Lo and an independent third party to sell its entire equity interest in K.P.I. International Trading Company Limited, a wholly-owned subsidiary of the Group with net asset of HK$4 as at 27 January 2022, to Madam Lo and the independent third party at considerations of HK$3 and HK$1, respectively. The Transaction has completed on 27 January 2022 with no gain or loss incurred.

## 39. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include loan receivables, interest receivables, account and other receivables and deposits, amounts due from associates and joint ventures, cash and cash equivalents, other financial assets, borrowings and loan payables, other payables and deposit received, amount due to an associate, unsecured bonds, liabilities arising from loan guarantee contracts and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### a) *Credit risk*

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to the loan business of the Group, (i.e. loan receivables and interest receivables), financial guarantee provided by the Group, account receivables, other receivables, time deposits, cash at banks and other financial assets.

#### (i) *Credit risk arising from loan business*

The Group has taken measures to identify credit risks arising from loan business. The Group manages credit risk at every stage of its risk management system, including pre-approval, review and credit approval, and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction is subject to review and approval of credit approval officer and the executive directors depending on the transaction size.

During the post-transaction monitoring process, the Group performs credit evaluations on each customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Most of loans granted are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group also focuses on ascertaining legal ownership and the valuation of the collateral. A loan granted is based on the value of the collateral and generally approximates 1%-100% for the year (2021: 1%-100%) of the estimated value of the collateral. The Group closely monitors the ownership and the value of the collateral throughout the loan period. As at 31 December 2022, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the secured loan receivables. The loan receivables are due by the date as specified in the corresponding loan agreements.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3.24% (2021: 2.21%) and 10.28% (2021: 8.32%) of the total loan receivables was due from the Group's largest debtor and the five largest debtors respectively.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### a) *Credit risk (Continued)*

#### *(i) Credit risk arising from loan business (Continued)*

The Group applies ECL model to measure impairment losses of the loans and advances to customers.

The Group adopts a loan risk classification approach to manage its loans and advances to customers portfolio risk. Loans and advances to customers are categorised into the following stages by the Group:

*Stage 1*
Loans and advances to customers have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12m ECLs (12m ECLs-not credit-impaired).

*Stage 2*
Loans and advances to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECLs (Lifetime ECLs-not credit-impaired).

*Stage 3*
Loans and advances to customers that are in default and considered credit impaired (Lifetime ECLs-credit-impaired).

*Parameters of ECL model*
According to whether there is a significant increase in credit risk, the Group measures the impairment loss on loan receivables and interest receivables with ECL of 12 months or lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### a) *Credit risk (Continued)*

#### (i) *Credit risk arising from loan business (Continued)*

*Modification of contractual cash flows*

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets.

Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit and loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are transferred from Stage 3 or Stage 2 to Stage 1. At 31 December 2022, the carrying amount of financial assets with such modified contractual cash flows was not significant.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from loan receivables and interest receivables are set out in Notes 21 and 22 respectively.

#### (ii) *Credit risk arising from financial guarantee*

The management performed impairment assessment on the financial guarantees contracts and will recognise impairment loss when there is significant increase in credit risk compare to the initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for these financial guarantee contracts issued by the Group is measured at an amount equal to lifetime ECL. The maximum exposure to credit risk in respect of these financial guarantees contracts will be recognised under "liabilities arising from loan guarantee contracts" during the year. No loss allowance was recognised in profit or loss during the year ended 31 December 2022 (2021: Nil). Details of the financial guarantee contracts are set out in Note 25(e).

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### a) *Credit risk (Continued)*

#### *(iii) Other credit risks*

In respect of account receivables and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtor operates.

The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. Given their high credit standing, management does not expect any investment counterparty to fail to meet it obligations.

The credit risk on cash at banks, time deposits, and pledged bank and security deposits paid is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

### b) *Liquidity risk*

Individual operating entities within the Group are responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the Company's board approval when the borrowings exceed certain predetermined level of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### *b) Liquidity risk (Continued)*

As at 31 December 2022

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$'000** | **More than 1 year but less than 2 years HK$'000** | **More than 2 years but less than 5 years HK$'000** | **Total contractual undiscounted cash flow HK$'000** | **Carrying amount at 31 December HK$'000** |
| Borrowings and loan payables | **1,254,377** | **63,098** | **–** | **1,317,475** | **1,301,132** |
| Unsecured bonds | **32,000** | **37,125** | **10,315** | **79,440** | **74,033** |
| Amount due to an associate | **2,866** | **–** | **–** | **2,866** | **2,866** |
| Lease liabilities | **4,479** | **2,443** | **430** | **7,352** | **6,934** |
| Other payables, accruals and deposit received | **96,782** | **–** | **–** | **96,782** | **96,782** |
| Liabilities arising from loan guarantee contracts | **89,340** | **–** | **–** | **89,340** | **89,340** |
| | **1,479,844** | **102,666** | **10,745** | **1,593,255** | **1,571,087** |

As at 31 December 2021

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amount at 31 December HK$'000 |
| Borrowings and loan payables | 1,406,636 | 87,686 | 63,098 | 1,557,420 | 1,529,971 |
| Unsecured bonds | 260,997 | 1,817 | 38,413 | 301,227 | 254,066 |
| Amount due to an associate | 3,143 | – | – | 3,143 | 3,143 |
| Lease liabilities | 10,106 | 4,330 | 1,574 | 16,010 | 15,275 |
| Other payables, accruals and deposit received | 107,829 | – | – | 107,829 | 107,829 |
| Consideration payables | 100,647 | – | – | 100,647 | 97,429 |
| Liabilities arising from loan guarantee contracts | 121,942 | – | – | 121,942 | 121,942 |
| | 2,011,300 | 93,833 | 103,085 | 2,208,218 | 2,129,655 |

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### c) *Interest rate risk*

The Group is principally engaged in the provision of financing services. Its interest rate risk arises primarily from deposits with banks and other financial institutions, loan receivables, bank loans, interest-bearing borrowings, senior bonds, listed debt securities and unsecured bonds.

Financial instruments with variable interest rates expose the Group to cash flow interest rate risk. The Group is exposed to fair value interest rate risk in relation to financial instruments with fixed interest rates.

The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

#### (i) *Interest rate profile*

The following table details the interest rate profile of the Group's assets and liabilities at the end of the reporting period:

| | At 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| **Fixed interest rate** | | |
| Financial assets | | |
| Loan receivables | **1,625,007** | 2,138,435 |
| Other financial assets, debt securities | **–** | 14,198 |
| | **1,625,007** | 2,152,633 |

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

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

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

| | At 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Financial liabilities | | |
| Borrowings from employees and independent third parties | **(68,350)** | (56,854) |
| Borrowings from shareholders | **(93,510)** | (3,510) |
| Borrowings from related parties | **(30,740)** | (31,392) |
| Loan payables arising from the Incidents | **(967,311)** | (1,229,990) |
| Unsecured bonds | **(74,033)** | (254,066) |
| Note payables | **(141,221)** | (208,225) |
| Lease liabilities | **(6,934)** | (15,275) |
| | **(1,382,099)** | (1,799,312) |
| Net fixed-rate financial instruments | **242,908** | 353,321 |
| **Variable interest rate** | | |
| Financial assets | | |
| – Cash at bank | **411,595** | 571,668 |
| Financial liabilities | | |
| – Consideration payables | **–** | (97,429) |
| Net variable-rate financial instruments | **411,595** | 474,239 |

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

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

#### (ii) *Sensitivity analysis*

Cash at banks is excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

As at 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable-rate financial instruments, with all other variables held constant, would decrease/increase the Group's loss after tax by approximately HK$814,000.

The analysis was prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points for 2021 increase or decrease in interest rates was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

### d) *Equity price risk*

The Group is exposed to equity price risk arising from listed equity investments and unlisted investment fund classified as other financial assets (see Note 19). Other than unquoted investments held for strategic purposes, all of these investments are listed.

The Group's listed equity investments are listed on recognised stock exchanges. Listed equity investments held in the portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared the relevant industry indicators, as well as the Group's liquidity needs.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### *d) Equity price risk (Continued)*

As at 31 December 2022 it is estimated that an increase/decrease of 10% (2021: 10%) in the relevant stock market index (for listed equity investments) and fair value of unlisted investment, with all other variables held constant, would have (decreased)/increased the Group's loss after tax and (decreased)/increased the Group's accumulated losses and other components of consolidated equity as follows:

| | | 2022 | | | 2021 | |
|---|---|---|---|---|---|---|
| | | Effect on loss after tax and accumulated losses HK$'000 | Effect on other components of equity HK$'000 | | Effect on loss after tax and accumulated losses HK$'000 | Effect on other components of equity HK$'000 |
| **Change in the relevant equity price risk variable:** | | | | | | |
| Increase | 10% | (1,768) | – | 10% | (1,488) | – |
| Decrease | 10% | 1,768 | – | 10% | 1,488 | – |

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in the stock market index or fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is assumed that the fair values of the Group's listed investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's listed investments would be considered impaired as a result of the decrease in the relevant stock market index, and that all other variables remain constant. It is also assumed that the fair values of the Group's unlisted investment would change in accordance with the market value, that none of the Group's unlisted investments would be considered impaired as a result of the decrease in market value, and that all other variables remain constant. The analysis is performed on the same basis for 2021.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### e) *Fair value measurement*

#### (i) *Financial assets and liabilities measured at fair value*

*Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, 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, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, 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 input

For financial instruments traded in inactive markets, their fair value measurements are based on net assets values provided by the relevant investment fund manager.

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### *e) Fair value measurement (Continued)*

#### *(i) Financial assets and liabilities measured at fair value (Continued)*

The Group engages independent professional valuers performing valuations for its financial assets which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting dates, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting dates.

| | Fair value at 31 December 2022 HK$'000 | Fair value measurements as at 31 December 2022 categorised into: Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
|---|---|---|---|---|
| **Recurring fair value measurement** | | | | |
| Assets: | | | | |
| Other financial assets | | | | |
| – Equity securities, listed | **5,756** | **5,756** | **–** | **–** |
| – Investment funds, unlisted | **11,925** | **–** | **–** | **11,925** |
| Consideration receivables | **18,194** | **–** | **–** | **18,194** |

| | Fair value at 31 December 2021 HK$'000 | Fair value measurements as at 31 December 2021 categorised into: Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
|---|---|---|---|---|
| **Recurring fair value measurement** | | | | |
| Assets: | | | | |
| Other financial assets | | | | |
| – Equity securities, listed | 1,653 | 1,653 | – | – |
| – Investment funds, unlisted | 13,223 | – | – | 13,223 |
| – Unlisted equity linked fixed coupon notes | 14,198 | – | 14,198 | – |
| Contingent consideration receivables | 7,115 | – | – | 7,115 |

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### e) *Fair value measurement (Continued)*

#### (i) *Financial assets and liabilities measured at fair value (Continued)*

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of debt securities in Level 2 is determined by using quoted prices from financial institutions.

*Information about Level 3 fair value measurements*

| | Valuation techniques | Significant unobservable inputs |
|---|---|---|
| Investment funds, unlisted | Net asset value | N/A (2021: N/A) |
| Consideration receivables | Credit exposure | Loss rate of 0% (2021: N/A) |

## 39. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

### e) *Fair value measurement (Continued)*

#### (i) *Financial assets and liabilities measured at fair value (Continued)*

The movements during the year in the balances of these Level 3 fair value measurements are as follows:

| **Contingent consideration receivables/ consideration receivables:** | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| At 1 January | **7,115** | 10,216 |
| Fair value change recognised in profit or loss | **11,079** | (3,101) |
| At 31 December | **18,194** | 7,115 |
| Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period | **11,079** | (3,101) |

| **Investment fund in the PRC, unlisted:** | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| At 1 January | **13,223** | 21,264 |
| Fair value change recognised in profit and loss | **(185)** | (8,537) |
| Exchange differences | **(1,113)** | 496 |
| At 31 December | **11,925** | 13,223 |
| Total loss for the year included in profit or loss for assets held at the end of the reporting period | **(185)** | (8,537) |

#### (ii) *Fair value of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2022 and 31 December 2021.

## 40. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt, which includes the borrowings and loan payables, bank loans, security deposits received, consideration payables, amount due to an associate, unsecured bonds and lease liabilities disclosed in respective notes, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and other reserves.

Qian Long Assets Management Company Limited ("QLAM"), a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). The Group monitors the financial position of QLAM in order to ensure that QLAM maintains a liquid capital level adequate to support the level of activities and meet the capital requirements imposed by SFC. On 30 June 2022, QLAM ceased to carry on all of the regulated activities for which it is licensed and became a dormant Company, QLAM is no longer subject to aforesaid requirements since then. Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 41. Acquisition of Subsidiaries

On 29 August 2022, K.P. Financial Group Limited, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with other joint venture owner of Oyster Pie Group Limited to acquire the remaining 50% equity interest in Oyster Pie Group Limited at a consideration of HK$1,000,000. The acquisition was completed on 31 August 2022, and Oyster Pie Group Limited and its subsidiary, Oyster Pie Solutions Limited, became wholly-owned subsidiaries of the Company since then. The acquisition has been accounted for as acquisition of business using the acquisition method.

## 41. Acquisition of Subsidiaries *(Continued)*

*Consideration transferred*

| | HK$'000 |
|---|---|
| Cash and total consideration paid | 1,000 |

*Assets acquired and liabilities recognised at the date of acquisition*

| | HK$'000 |
|---|---|
| Property, plant and equipment | 299 |
| Prepayments | 33 |
| Cash and cash equivalents | 2,213 |
| Other payables and accruals | (3,127) |
| | (582) |

*Goodwill arising on acquisition of Oyster Pie Group*

| | HK$'000 |
|---|---|
| Consideration transferred | 1,000 |
| Add: fair value of the 50% equity interests in Oyster Pie Group previously held | 1,000 |
| Add: recognised amounts of net identifiable liabilities | 582 |
| Goodwill arising on acquisition | 2,582 |

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

*Net cash inflow arising on acquisition of Oyster Pie Group*

| | HK$'000 |
|---|---|
| Cash consideration paid | 1,000 |
| Less: cash and cash equivalents balances acquired | (2,213) |
| | (1,213) |

## 42. Disposal of Subsidiaries

On 22 June 2022, Noble Lion Education Company Limited ("Noble Lion"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the NCI of Access Global, pursuant to which Noble Lion agreed to sell and the NCI of Access Global agreed to purchase 26% of equity interest of Access Global at a consideration of GBP910,000 (equivalent to approximately HK$8,943,000). The Group lost control and ceased to consolidate of Access Global Group upon the completion of the transaction on 30 June 2022, and Access Global Group becomes associates of the Group since then (Note 17).

*Consideration received*

| | HK$'000 |
|---|---|
| Cash and total consideration received | 8,943 |

*Analysis of assets and liabilities over which control was lost on 30 June 2022*

| | HK$'000 |
|---|---|
| Property, plant and equipment | 6 |
| Other receivables and prepayments | 827 |
| Cash and cash equivalents | 645 |
| Amount due from an associate of the Company | 2,532 |
| Other payables, accruals and deposit received | (4,179) |
| Net liabilities disposed of | (169) |

## 42. Disposal of Subsidiaries *(Continued)*

*Gain on disposal of Access Global Group*

| | HK$'000 |
|---|---|
| Net liabilities of Access Global Group disposed of | (169) |
| Add: Goodwill allocated to Access Global Group | 18,564 |
| Less: Fair value of 34% equity interest of Access Global retained | (12,019) |
| Less: NCI | (114) |
| Net assets attributable to owners of the Company | 6,262 |
| Less: Cash consideration | (8,943) |
| Add: Reclassification of exchange reserve to profit or loss upon disposal | 892 |
| Gain on disposal of Access Global Group | (1,789) |

*Net cash inflow arising on disposal of Access Global Group*

| | HK$'000 |
|---|---|
| Cash consideration received | 8,943 |
| Less: cash and cash equivalents balances disposed of | (645) |
| | 8,298 |

## 43. Company-level Statement of Financial Position

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,493** | 5,850 |
| Investments in subsidiaries | | **722,901** | 722,901 |
| Investment in an associate | | **3,900** | 3,900 |
| Deposits | | **35,000** | 35,000 |
| | | **763,294** | 767,651 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | | **4,951** | 2,533 |
| Amounts due from subsidiaries | | **957,317** | 1,011,318 |
| Dividend receivables from subsidiaries | | **800,651** | 813,310 |
| Amounts due from associates | | **234** | 19 |
| Amount due from a joint venture | | **–** | 2 |
| Cash and cash equivalents | | **35,653** | 167,938 |
| | | **1,798,806** | 1,995,120 |
| **Current liabilities** | | | |
| Borrowings and loan payables | | **200,399** | 109,583 |
| Consideration payables | | **–** | 97,429 |
| Accruals and other deposit received | | **23,478** | 8,500 |
| Liabilities arising from loan guarantee contracts | | **616,812** | 578,402 |
| Unsecured bonds | | **27,741** | 219,489 |
| Lease liabilities | | **1,222** | 3,475 |
| Amounts due to subsidiaries | | **927,845** | 915,886 |
| | | **1,797,497** | 1,932,764 |
| **Net current assets** | | **1,309** | 62,356 |
| **Total assets less current liabilities** | | **764,603** | 830,007 |
| **Non-current liabilities** | | | |
| Borrowings and other payables | | **60,932** | 138,520 |
| Unsecured bonds | | **46,292** | 34,577 |
| Lease liabilities | | **–** | 1,222 |
| | | **107,224** | 174,319 |
| **NET ASSETS** | | **657,379** | 655,688 |
| **EQUITY** | | | |
| Share capital | 32 | **2,080,113** | 2,080,113 |
| Reserves | 33 | **(1,422,734)** | (1,424,425) |
| **TOTAL EQUITY** | | **657,379** | 655,688 |

Approved and authorised for issue by the board of directors on 31 March 2023 and were signed on its behalf by:

| | |
|---|---|
| **Zhang Min** | **Zhang Kun** |
| *Director* | *Director* |

# FINANCIAL SUMMARY

For the year ended 31 December 2022

## Summary Financial Information

A summary of the published 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 or restated as appropriate, is set out below. This summary does not form part of the audited financial statements.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | | | (Restated) | (Restated) |
| **Results** | | | | | |
| Interest, guarantee and financing consultancy services income | **200,826** | 304,593 | 713,939 | 951,290 | 986,238 |
| (Loss)/profit for the year | **(48,754)** | (246,130) | (1,357,368) | (426,477) | 70,128 |
| Attributable to: | | | | | |
| Owners of the Company | **(52,553)** | (250,065) | (1,216,632) | (661,021) | 101,595 |
| Non-controlling interest | **3,799** | 3,935 | (140,736) | 234,544 | (31,467) |
| | **(48,754)** | (246,130) | (1,357,368) | (426,477) | 70,128 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | | | (Restated) | (Restated) |
| **Assets and liabilities** | | | | | |
| Total assets | **2,644,407** | 3,368,677 | 4,048,318 | 6,283,559 | 6,209,062 |
| Total liabilities | **(1,773,345)** | (2,356,208) | (2,819,126) | (3,755,598) | (3,003,863) |
| Non-controlling interests | **(81,337)** | (88,652) | (85,483) | (283,713) | (160,886) |
| Balance of total equity attributable to equity shareholders of the Company | **789,725** | 923,817 | 1,143,709 | 2,244,248 | 3,044,313 |