CFHL

Capital Finance Holdings Limited

首都金融控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8239)

2022 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD

Executive Directors
Mr. Zhang Wei *(Chairman and Chief Executive Officer)*
Ms. Li Wei

Independent Non-executive Directors
Mr. Chen Yihua
Mr. Lee Zak Yuen
Mr. Chan Ngai Fan

BOARD COMMITTEES

Audit Committee
Mr. Chan Ngai Fan *(Chairman)*
Mr. Chen Yihua
Mr. Lee Zak Yuen

Remuneration Committee
Mr. Lee Zak Yuen *(Chairman)*
Mr. Chen Yihua
Mr. Chan Ngai Fan

Nomination Committee
Mr. Chen Yihua *(Chairman)*
Mr. Zhang Wei
Mr. Lee Zak Yuen
Mr. Chan Ngai Fan

COMPLIANCE OFFICER

Ms. Li Wei

COMPANY SECRETARY

Ms. Tsoi Lai Kwan

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2613A, 26/F.
Mira Place Tower A
132 Nathan Road, Tsimshatsui
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited

AUDITOR

Mazars CPA Limited
42/F., Central Plaza
18 Harbour Road, Wanchai
Hong Kong

COMPANY WEBSITE

http://www.capitalfinance.hk

STOCK CODE

8239

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**"), it is my pleasure to present to you the annual report of our Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022.

Throughout the year, we faced significant instabilities and uncertainties in the global economic environment, including geopolitical tensions, the COVID-19 pandemic, and the rapid surge of Fed interest rates to cope with inflation in the U.S. Moreover, the Sino-US trade disputes and the recurrence of COVID-19 in Mainland China further impacted social and economic activities in the region, causing disruptions to China's economy. Despite these challenges, China has implemented a prudent and normal monetary policy, providing a solid foundation for ensuring overall price stability in the country. The People's Bank of China (the "**PBOC**") took measures to support the economy by lowering loan prime rates, effectively guiding financial costs down. Additionally, the PBOC increased its support to micro and small businesses (the "**MSBs**") and self-employed businesses by deferring their repayments of loan principal and interest. Consequently, these policies and measures brought significant challenges and intensified competition to our short-term financing business. The Group faced fierce competition from commercial banks and peers as the average interest rate for loans granted by them decreased.

Despite these challenges, we have proactively adapted to the changing market environment and maintained a high level of service to our customers. With a deep understanding of the local market and customer needs, a streamlined organizational structure, and efficient decision-making processes, we have continuously leveraged our advantages to provide quick and flexible financing services tailored to the specific needs of individuals and MSBs. Additionally, we have optimized the business model by introducing new customers with sound credit records, strengthening post-loan management, and adjusting the collateral mix to enhance our capital strength and risk management capabilities.

To maintain our competitiveness, we have continued to focus on reducing costs and expenses, enhancing budget management, and strengthening internal controls. By implementing cost-saving measures and optimizing our budget management processes, the Group can operate more efficiently and achieve greater profitability. Additionally, by strengthening our internal controls, we can better manage risks and ensure compliance with regulatory requirements, thereby enhancing the overall integrity and stability of our operations.

Looking ahead, it is expected that the global economic environment remains challenging and uncertain due to persistent inflation and ongoing geopolitical tensions. It is also expected that the domestic economy in China will continue to face challenges related to political tensions between China and the U.S. Nevertheless, the economic environment in Mainland China has shown signs of improvement following the nationwide loosening the restriction of COVID-19 and the reopening of all borders in early January 2023. We anticipate that this will have a positive impact on our business for the coming year.

In light of these developments, we remain committed to maintaining our competitiveness in the market and pursuing opportunities for long-term business and profitability growth. We understand that any unforeseen changes could potentially undermine any single and inflexible business line's prospects. Therefore, we will continue to adopt quick and flexible marketing strategies to stay ahead of the competition in our short-term financing business and explore new business opportunities to broaden and diversify our income streams. To optimize the utilization of resources and improve the overall financial performance of the Group, we will continue to explore and seize business opportunities to broaden and diversify our income stream while also streamlining operations and reducing costs where possible.

CHAIRMAN'S STATEMENT

As always, we remain vigilant and adaptable in the face of ongoing economic and geopolitical challenges. By staying true to our core values and mission as a company and remaining focused on our long-term goals, we are confident that we can position our business for success in the years to come.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude and appreciation to all shareholders, business partners and customers for their ongoing support and trust to the Group. Also, I would like to thank my fellow Directors, management team and staff for their dedication and contributions over the year.

Zhang Wei
Chairman

Hong Kong, 21 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2022, the Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The Group recorded total revenue for the year ended 31 December 2022 of approximately Hong Kong dollars ("**HK$**") 46,483,000 (2021: approximately HK$45,376,000), representing a slight increase of approximately HK$1,107,000 as compared with the previous year. This increase was mainly attributable to the combination of two factors. Firstly, the Group experienced an increase of approximately HK$9,278,000 in settlement gain from distressed debts assets from short term financing services, which was a result of the recovery of principal and interest expenses receivables from several distressed debts assets during the year. Secondly, there was a decrease of approximately HK$7,631,000 in interest income from short-term financing services during the year ended 31 December 2022. This decrease was mainly due to the impact of the unfavourable macroeconomic environment in the PRC and the repeated outbreaks of COVID-19 pandemic in 2022.

The administrative and other expenses for the year ended 31 December 2022 has marginally decreased from approximately HK$38,479,000 in the year 2021 to approximately HK$35,767,000.

Other income and other gains and losses, net for the year ended 31 December 2022 was approximately HK$9,097,000 (2021: approximately HK$2,983,000), which represents an significant increase of approximately HK$6,114,000 when compared to the year 2021, mainly attributable to the increase in the gain on early redemption of convertible bonds by approximately HK$5,064,000 for the year ended 31 December 2022.

A fair value loss on financial assets at fair value through profit or loss ("**FVTPL**") of approximately HK$8,562,000 was recorded for the year ended 31 December 2022 due to an unrealized loss recognized from the listed equity investment while a fair value gain on financial assets at FVTPL of approximately HK$5,670,000 was recorded for the year ended 31 December 2021.

A one-off write-off of financial assets at FVTPL of approximately HK$4,763,000 was recorded for the year ended 31 December 2021, whereas no such write-off was recorded for the year ended 31 December 2022.

The Group recorded charge of loss allowance for expected credit losses ("**ECLs**") on loans to customers for the year ended 31 December 2022 of approximately HK$6,081,000 while reversal of loss allowance for ECLs on loans to customers of approximately HK$25,642,000 was recorded in the year 2021. The increase in loss allowance for ECLs was primarily due to the repeated outbreaks of the COVID-19 pandemic in 2022 and the deceleration of domestic economic growth in the PRC. These unfavorable market conditions had an adverse impact on the financial condition of customers of the Group, resulting in a deterioration of customers' aging. Simultaneously, the unfavorable market conditions caused a decline in the expected recoverable value of collaterals and guarantees, which was a direct result of the increase in costs and efforts required for their realization due to the challenging economic environment in the PRC.

BUSINESS AND FINANCIAL REVIEW *(Continued)*

The Group recorded a share of loss of a joint venture of approximately HK$5,425,000 from its investment in a joint venture, 宣威瑞草生物科技有限公司 (Xuan Wei Rui Cao Biological Technology Company Limited*) ("**Xuan Wei**") for the year ended 31 December 2022 (2021: approximately HK$549,000).

Xuan Wei was established in 23 June 2020 and was principally engaged in the plant extract production, bio-organic fertilizer and biopesticide research and development in the PRC. The related output products include tobacco plant extracts, bio-organic fertilizer, biopesticide, biological insecticide, etc. The tobacco plant extracts are one of the main raw materials of the production of nicotine for electronic cigarettes. It was expected that the acquisition of Xuan Wei could help to generate a new source of revenue and diversify the income stream of the Group. Amid the tough business environment in the PRC under the prolong impact of the outbreak of COVID-19 pandemic, Xuan Wei was still able to expand its business scale and increase its revenue during the year ended 31 December 2022 as compared to that for the year ended 31 December 2021, driven by the increase of the demand in electronic cigarettes.

However, the business of Xuan Wei was adversely affected by the Measures for the Administration of Electronic Cigarettes which was newly implemented by the China's State Tobacco Monopoly Administration (the "**STMA**") in May 2022 (the "**New Measures**"). The New Measures aimed to strengthen the regulation of the electronic cigarettes industry in the PRC and imposed certain new requirements and conditions on the manufacturing of nicotine for electronic cigarettes. Moreover, under the New Measures, all the manufacturers of nicotine for electronic cigarettes are required to obtain tobacco monopoly production enterprise licenses issued by the STMA in order to continue the production and operation of nicotine for electronic cigarettes. In response to the New Measures, Xuan Wei had to cease its current production, upgrade its machinery and equipment as well as enhance the production process in order to cope with the impact from the New Measures. As at 31 December 2022, Xuan Wei has yet to obtain the tobacco monopoly production enterprise license. In view of (i) the information currently available, the management of Xuan Wei is unable to anticipate as to when Xuan Wei will obtain the tobacco monopoly production enterprise license from the STMA; (ii) the current machinery and production lines are difficult to transform for other production purpose and there is limited second-hand market for them to be sold or repurposed; (iii) the latest financial position of Xuan Wei and the existing financial resources available to Xuan Wei; and (iv) the business environment and the financial position of Xuan Wei have been adversely impacted and become significantly uncertain as a result of the implementation of the New Measures, for prudence purpose, the management of Xuan Wei makes the provision for impairment on certain assets of Xuan Wei. Considering the significant changes at Xuan Wei, the management of the Group will closely monitor the future development of Xuan Wei.

On 21 July 2022, the Company issued the New 2022 Convertible Bonds and the New 2023 Convertible Bonds (as defined below) to settle the outstanding principal amounts of 2022 CB and 2023 CB, respectively. The setting off resulted in a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK$26,944,000 recorded for the year ended 31 December 2022 whereas no such gain was recognised for the year ended 31 December 2021.

* *English name is for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

The loss attributable to the owners of the Company for the year ended 31 December 2022 was approximately HK$7,626,000 (2021: approximately HK$19,017,000). The decrease in loss attributable to the owners of the Company was mainly attributable to the net-off effect of (i) an increase in other income and other gains and losses, net by approximately HK$6,114,000 for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021; (ii) a charge of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK$4,926,000 was recorded for the year ended 31 December 2022 while a reversal of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK$18,433,000 was recorded for the year ended 31 December 2021 primarily due to the repeated outbreaks of the COVID-19 pandemic in 2022 and the deceleration of domestic economic growth in the PRC. These unfavorable market conditions had an adverse impact on the financial condition of customers of the Group, resulting in a deterioration of customers' aging. Simultaneously, the unfavorable market conditions caused a decline in the expected recoverable value of collaterals and guarantees, which was a direct result of the increase in costs and efforts required for their realization due to the challenging economic environment in the PRC; (iii) a fair value loss on financial assets at FVTPL of approximately HK$8,562,000 was recorded for the year ended 31 December 2022 due to an unrealized loss recognized from the listed equity investment while a fair value gain on financial assets at FVTPL of approximately HK$5,670,000 was recorded for the year ended 31 December 2021; (iv) a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK$26,944,000 recorded for the year ended 31 December 2022 whereas no such gain was recognised for the year ended 31 December 2021; and (v) a decrease in finance costs for the year ended 31 December 2022 by approximately HK$13,887,000 as compared to that for the year ended 31 December 2021 as a result of partial redemptions of convertible bonds made by the Group during the years ended 31 December 2021 and 2022.

Short-term financing services

During the year ended 31 December 2022, the financial results of short-term financing services were substantially contributed by loan businesses and distressed debts assets business of the Group, in which the revenue of these businesses was approximately HK$46,292,000 (2021: approximately HK$44,645,000). The operating results of short-term financing services recorded a profit before income tax of approximately HK$24,298,000 (2021: approximately HK$43,792,000). The deterioration of the operating results was mainly attributable to the combined effect of (i) increase in revenue by approximately HK$1,107,000; and (ii) net increase in charge of loss allowance for ECLs on loans to customers by approximately HK$31,723,000.

PROSPECTS

Looking ahead, it is expected that the global economic environment remains challenging and uncertain due to persistent inflation and ongoing geopolitical tensions. It is also expected that the domestic economy in China will continue to face challenges related to political tensions between China and the U.S. Nevertheless, the economic environment in Mainland China has shown signs of improvement following the nationwide loosening the restriction of COVID-19 control measures and the reopening of all borders in early January 2023. We anticipate that this will have a positive impact on our business for the coming year.

In light of these developments, we remain committed to maintaining our competitiveness in the market and pursuing opportunities for long-term business and profitability growth. We understand that any unforeseen changes could potentially undermine any single and inflexible business line's prospects. Therefore, we will continue to adopt quick and flexible marketing strategies to stay ahead of the competition in our short-term financing business and explore new business opportunities to broaden and diversify our income streams. To optimize the utilization of resources and improve the overall financial performance of the Group, we will continue to explore and seize business opportunities to broaden and diversify our income stream while also streamlining operations and reducing costs where possible.

PROSPECTS *(Continued)*

As always, we remain vigilant and adaptable in the face of ongoing economic and geopolitical challenges. By staying true to our core values and mission as a company and remaining focused on our long-term goals, we are confident that we can position our business for success in the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had other debts which is liability component of convertible bonds of approximately HK$174,987,000 (2021: approximately HK$281,198,000). The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK$105,158,000 (2021: approximately HK$95,905,000) which were mainly denominated in HK$ and Renminbi ("**RMB**"). To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and external fund raising activities from the capital market.

As at 31 December 2022, the gearing ratio for the Group was approximately 2.9 (2021: approximately 3.7), calculated based on the total debts of approximately HK$174,987,000 (2021: approximately HK$281,198,000) over shareholder's equity of approximately HK$60,250,000 (2021: approximately HK$75,002,000). The debt ratio was approximately 0.66 (2021: approximately 0.72), calculated as total liabilities over total assets of the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders of the Company (the "**Shareholders**"), issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group as at 31 December 2022 is summarised as follows:

(i) *Bank Borrowings*
There were no bank borrowings outstanding as at 31 December 2022 (2021: Nil).

(ii) *Promissory Notes*
As at 31 December 2022 and 2021, the Company had no outstanding promissory note. Further details are set out in Note 26 to the consolidated financial statements.

CAPITAL STRUCTURE *(Continued)*

(iii) Convertible Bonds

As at 31 December 2022, the Company had 2 series of non-interest bearing convertible bonds issued as part of the consideration of the acquisition of Prima Finance Holdings Limited ("**Prima Finance**") (which was struck off on 31 March 2021) and Sunny Bridge Investments Limited ("**Sunny Bridge**") and its subsidiaries outstanding. Summary of the convertible bonds is as follows. Further details are set out in Note 27 to the consolidated financial statements.

Date of issue	Principal amount as at 1 January 2022 (HK$)	Maturity date	Conversion price per share (HK$)	Amount issued during the year (HK$)	Amount converted into shares during the year (HK$)	Amount redeemed during the year (HK$)	Amount matured during the year (HK$)	Amount settled during the year (HK$)	Outstanding principal amount as at 31 December 2022 (HK$)	Number of shares to be issued upon full conversion as at 31 December 2022
25 June 2014	99,840,000	24 June 2022	1.75	—	—	—	(99,840,000)	—	—	—
6 February 2015	194,000,000	5 February 2023	1.75	—	—	(8,600,000)	—	(185,400,000)	—	—
21 July 2022	—	24 December 2023	0.05	99,840,000	(7,500,000)	(39,006,000)	—	—	53,334,000	1,066,680,000
21 July 2022	—	5 August 2024	0.05	185,400,000	—	(46,165,000)	—	—	139,235,000	2,784,700,000

Increase in Authorised Share Capital; and Connected Transaction in relation to Issue of Convertible Bonds under Specific Mandate

The Company entered into the conditional subscription agreements with respective subscribers on 4 April 2022 (as amended and supplemented on 6 June 2022), pursuant to which each of the subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the zero-coupon convertible bonds due on 24 December 2023 in the aggregate principal amount of HK$99,840,000 (the "**New 2022 Convertible Bonds**") under relevant subscription agreements with Bustling Capital Limited and Choice Magic Limited as subscribers (the "**New 2022 CB Subscription Agreements**") and the zero-coupon convertible bonds due on 5 August 2024 in the aggregate principal amount of HK$185,400,000 (the "**New 2023 Convertible Bonds**") under relevant subscription agreements with Exuberant Global Limited and Mr. Liu Yongli as subscribers (the "**New 2023 CB Subscription Agreements**") (the "**Issue of Convertible Bonds**"). The market price of the Shares as of 4 April 2022 was HK$0.031, being the date of the conditional subscription agreements.

CAPITAL STRUCTURE *(Continued)*

(iii) Convertible Bonds (Continued)

Increase in Authorised Share Capital; and Connected Transaction in relation to Issue of Convertible Bonds under Specific Mandate (Continued)

The existing convertibles bonds of the Company were matured in June 2022 and February 2023 (the "**Existing CBs**") respectively and it was not expected that the Company would have sufficient internal resources to redeem all the Existing CBs upon maturity. It was also considered that (i) it was unlikely for the Company to obtain other debt financing from financial institutions or otherwise with acceptable terms or terms better than those for the New 2022 Convertible Bonds and the New 2023 Convertible Bonds; and (ii) the holders of the Existing CBs had no intention to exercise the conversion rights attached to the Existing CBs taking into account of that the prevailing conversion price of the Existing CBs per Share was significantly higher than the market price. As such the Company considers that the entering into the New 2022 CB Subscription Agreements and the New 2023 CB Subscription Agreements would be an effective way to settle the Existing CBs. The Issue of Convertible Bonds bore similar salient features as the Existing CBs such as conversion restriction and essentially was an extension of the Existing CBs, except that the conversion price was adjusted to reflect the prevailing market price of the Shares which provides the subscribers a better opportunity to convert the convertible bonds before the respective maturity date.

On the assumption that the New 2022 Convertible Bonds would be converted into conversion shares in full at the initial conversion price of HK$0.05 per conversion share (subject to adjustments), 1,996,800,000 conversion shares would be issued. The aggregate subscription amounts of HK$99,840,000 for the New 2022 Convertible Bonds was set off by the respective outstanding principal amounts of the 2014 Convertible Bonds (as defined in the Company's announcement dated 4 April 2022) held by the relevant subscribers respectively which fell due on 24 June 2022.

On the assumption that the New 2023 Convertible Bonds would be converted into conversion shares in full at the initial conversion price of HK$0.05 per conversion share (subject to adjustments), 3,708,000,000 conversion shares would be issued. The aggregate subscription amounts of HK$185,400,000 for the New 2023 Convertible Bonds were set off by the respective outstanding principal amounts of the 2015 Convertible Bonds (as defined in the Company's announcement dated 4 April 2022) held by the relevant subscribers respectively which fell due on 5 February 2023.

CAPITAL STRUCTURE *(Continued)*

(iii) Convertible Bonds (Continued)

Increase in Authorised Share Capital; and Connected Transaction in relation to Issue of Convertible Bonds under Specific Mandate (Continued)

In order to accommodate the growth of the Group and to provide the Company with greater flexibility for the issue of the conversion shares under the New 2022 Convertible Bonds and the New 2023 Convertible Bonds and other possible fund-raising activities in the future as and when necessary, the Board proposed to increase the authorised share capital of the Company from HK$100,000,000 divided into 2,000,000,000 shares to HK$1,000,000,000 divided into 20,000,000,000 shares by the creation of an additional 18,000,000,000 shares (the "**Increase in Authorised Share Capital**"). Subject to the passing of an ordinary resolution by the shareholders of the Company at the special general meeting (the "**SGM**") to approve the increase in authorised share capital, the increase in authorised share capital would become effective on the date of the SGM.

The independent board committee comprising all the independent non-executive Directors had been established and an independent financial adviser, Giraffe Capital Limited, had been appointed to advise the independent board committee and the independent shareholders in this regard.

The Increase in Authorised Share Capital and Issue of Convertible Bonds were approved by the independent shareholders at the SGM held on 28 June 2022. Accordingly, the Increase in Authorised Share Capital became effective on 28 June 2022. All conditions precedent set out in each of the New 2022 CB Subscription Agreements and the New 2023 CB Subscription Agreements had been fulfilled and the completion of the issue of the New 2022 Convertible Bonds and the New 2023 Convertible Bonds took place on 21 July 2022 in accordance with the terms and conditions of the Subscription Agreements.

For details, please refer to the announcements of the Company dated 4 April 2022, 29 April 2022, 3 May 2022, 31 May 2022, 13 June 2022, 28 June 2022 and 21 July 2022, and the circular of the Company dated 13 June 2022.

As a result of the capital reorganisation, the conversion price of the New 2022 Convertible Bonds and the New 2023 Convertible Bonds has been adjusted from HK$0.05 to HK$1.0 accordingly. For details, please refer to the circular dated 20 January 2023 and the announcements of the Company dated 19 December 2022 and 21 February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

Placing of New Shares under General Mandate

The actual net proceeds raised from the placing of 168,000,000 ordinary shares of the Company under general mandate on 1 December 2021 was approximately HK$25,213,000. Up to 31 December 2022, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds HK$'000	Actual use of net proceeds up to 31 December 2022 HK$'000	Unutilised net proceeds up to 31 December 2022 HK$'000
Settlement of outstanding short-term liabilities of the Company	25,000	25,000	—
General working capital	213	213	—
	25,213	25,213	—

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

FURTHER PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group currently does not have any firm intention or specific plans for material investments or capital assets.

CHARGE OF GROUP ASSETS

As at 31 December 2022, the Group did not have any assets under charge (2021: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2022, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2022, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2022, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liability (2021: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 49 employees (2021: 66 employees). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to our employees. Staff costs, excluding Directors' emoluments, for the year ended 31 December 2022 amounted to approximately HK$19,363,000 (2021: approximately HK$17,480,000).

The Company adopted the share option scheme where options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the share option scheme during the year ended 31 December 2022. The share option scheme of the Company has expired on 2 August 2022 and the Company would consider to adopt a new share option scheme to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

CAPITAL REORGANISATION

On 19 December 2022, the Board proposes to implement the capital reorganisation involving:

(i) the share consolidation whereby every twenty (20) existing Shares will be consolidated into one (1) consolidated Share;

(ii) the capital reduction whereby the issued share capital of the Company will be reduced by cancelling paid up capital of the Company to the extent of HK$0.99 on each of the then consolidated Shares such that the par value of each issued consolidated Share will be reduced from HK$1.0 to HK$0.01;

(iii) the sub-division whereby of each authorized but unissued consolidated Share of HK$1.0 (including the unissued Shares arising from the capital reduction) will be sub-divided into 100 new Shares of HK$0.01 each; and

(iv) the transfer of all the credits arising from the capital reduction to the contributed surplus account of the Company.

The closing prices of the existing Shares have been trading at below the par value of HK$0.05 per existing Share for a certain period and according to the Bermuda law, the Company may not issue Shares at a discount to their par value and potential investors in general would be unwilling to subscribe for Shares and pay a premium over the market prices for the Shares. As such, the capital reorganisation, which will reduce the par value per Share, would provide greater flexibility for the Company to carry out fund raising exercises in the future.

CAPITAL REORGANISATION *(Continued)*

Furthermore, the credit in the contributed surplus account arising from the capital reorganisation is applicable to set off its accumulated losses. Save that no fractional new Shares (with par value of HK$0.01 each) will be allocated to Shareholders and the relevant expenses (including but not limited to professional fees and printing charges) to be incurred in relation to the capital reorganisation, there will not have material effect on the Group's consolidated net asset value, and it will not alter the underlying assets, business operations, management or financial position of the Company nor the proportionate interests or rights of the Shareholders.

Based on the reasons above, the Board considers that the capital reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The capital reorganisation was passed and approved as the special resolution by the Shareholders at a special general meeting held on 21 February 2023. Accordingly, the capital reorganisation has become effective from 23 February 2023. As a result, the Company has 63,091,461 consolidated Shares in issue and the authorised share capital of the Company remains at HK$1,000,000,000, which is divided into 100,000,000,000 ordinary shares. Also, pursuant to the terms of the instrument of the outstanding New 2022 Convertible Bonds, and New 2023 Convertible Bonds, the conversion prices of the convertible bonds and the number of new Shares to be issued upon exercise of the conversion rights attached to the outstanding convertible bonds has been adjusted in the following manner with effect from 23 February 2023.

	Immediately before the Capital Reorganisation becoming effective		Immediately after the Capital Reorganisation becoming effective	
	Number of Existing Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Existing conversion price per Share	Number of New Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Adjusted conversion price per New Share
New 2022 Convertible Bonds	966,680,000	HK$0.05	48,334,000	HK$1.0
New 2023 Convertible Bonds	2,784,700,000	HK$0.05	139,235,000	HK$1.0

For details, please refer to the announcements of the Company dated 19 December 2022 and 21 February 2023, and the circular of the Company dated 20 January 2023.

EVENT AFTER REPORTING PERIOD

Conversion of Convertible Bonds

On 31 January 2023, part of the New 2022 Convertible Bonds at a conversion price of HK$0.05 per share with principal amount of HK$5,000,000 had been converted into 100,000,000 new ordinary shares of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

ABOUT THIS REPORT

Overview

This ESG report of the Group for the year ended 31 December 2022 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 20 of the GEM Listing Rules (the "**ESG Reporting Guide**"). Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the report

This report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of all entities in the Group.

The content of this report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("**KPIs**").

Reporting Principles

This report follows the ESG Reporting Guide and applies the following principles:

Reporting principles	Application in this report
Materiality	The Group's stakeholders are engaged in the identification of ESG issues that matter most from their perspectives. The Group assessed the materiality of those ESG issues based on the corresponding risks posed on the sustainability on the Group's businesses. Material ESG issues were identified and prioritized and are disclosed in this report.
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption, where applicable, are disclosed in the respective sections in this report.
Consistency	Unless stated otherwise, the Group applies consistent methodology in compiling the ESG data reported to ensure meaningful comparison of ESG performance over time and between entities. Any change in methods or KPIs used is explained.

Approved by the Board of Directors

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The ESG report was approved by the Board on 21 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group is principally engaged in the provision of short-term financing services. The Group mainly operates in the PRC and Hong Kong. Particulars of the Group's principal subsidiaries are set out in Note 18 to the consolidated financial statements for the year ended 31 December 2022.

Strategies

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace, and external community, and an integral part of the Group's practice to create value for stakeholders. Our strategy is to fulfil the Group's environmental and social responsibilities through achieving environmental and social objectives during daily operations.

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Add environmentally friendly elements to our daily service and operation activities;
- Reduce greenhouse gas emissions;
- Use energy and resources efficiently; and
- Continuously improve waste management

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation

Approach

Monitored by the Board of Directors, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP *(Continued)*

Approach (Continued)

Environmental and social management system comprises:

- The direction from the Board to fulfil the ESG responsibilities;
- Daily execution of environmental and social strategy and achieving its objectives by management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Review and monitoring of ESG risks management and internal control systems by the Board; and
- Reporting and disclosure of our performance and KPIs

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the Board for its overall ESG responsibility.

To demonstrate our commitment to transparency and accountability, the Company has established an ESG working group, which has clear terms of reference that set out the powers delegated to it by the Board.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholder engagement is a key success factor in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include customers, suppliers or service providers, employees, business allies, competitors, management, and shareholders. We continue to interact with our stakeholders on an ongoing basis in order to identify and collect their expectations and concerns regarding significant ESG related matters of the Group's businesses, which are evaluated, prioritized and incorporated into our ESG strategy, including the setting of practicable ESG targets. Our communication channels with our stakeholders include company website, annual general meeting, staff meetings and supplier meetings.

Based on the stakeholder engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievements and reporting. We present below the relevant and required disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

GENERAL DISCLOSURE AND KPIS

A. *Environmental*

The Group recognises the value of a practice to protect the natural environment for the benefit of humans. We are committed to doing everything we can to reduce the degrading of the biophysical environment.

Aspect A1: Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions disclosed as KPIs are calculated based on the consumption data collected and applicable emission factors. Since certain emission factors of the PRC are not accessible or updated from official sources, we have applied relevant emission factors which are available from recognised or reputable sources. If certain emission factors of the PRC are not available, available consumption data collected, waste produced, or emission measured is disclosed.

- Air and Greenhouse Gas Emissions

  Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

  – *Air and Greenhouse Gas Emissions from Production*

    In view of the Group's business nature, there were no air and greenhouse gas emissions from production.

  – *Air and Greenhouse Gas Emissions from Vehicles*

    The Group believes that green transportation brings benefits, which include reduction of transportation costs and reduction of energy consumption and pollution. As such, the Group encourages optimising transportation routes, high filling rate or carpooling and proper tire pressure to achieve efficiency.

    The Group reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse emissions. Employees are encouraged to take public transportation as often as possible and select fuel-efficient vehicles. While employees are driving, it is suggested to avoid unnecessary acceleration or deceleration, close windows when the vehicle is travelling at high speed, and only use air-conditioning when it is necessary.

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. *Environmental (Continued)*

- Air and Greenhouse Gas Emissions *(Continued)*

  – *Air and Greenhouse Gas Emissions from Vehicles (Continued)*

KPI A1.1 Emissions from vehicles

	2022	2021
Types of emissions	(g)	(g)
NO_x	478	1,002
SO_2 – PRC operation	34	94
Particulate Matter ("**PM**")	151	317
Hydrocarbons ("**HC**") – PRC operation	1,471	3,089
Carbon Monoxide ("**CO**") – PRC operation	12,297	25,818

*KPI A1.2 Greenhouse gas ("**GHG**") emissions in total*

GHG emissions in total are 68 tonnes for the year ended 31 December 2022 (2021: 88 tonnes), which includes scope 1, scope 2, and scope 3 emissions as disclosed below. GHG intensity for the year ended 31 December 2022 is 1.40 tonnes/per employee (2021: 1.34 tonnes/per employee).

KPI A1.2 Scope 1 – Direct emissions from operations that are owned or controlled by the Group

Main categories of Scope 1 emissions: GHG emissions from mobile combustion sources

	2022	2021
Types of emissions	(kg)	(kg)
Carbon Dioxide ("**CO_2**")	5,231	14,283
Methane ("**CH_4**")	26	55
Nitrous Oxide ("**N_2O**")	156	328
Total GHG emissions	5,413	14,666

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. Environmental *(Continued)*

- Air and Greenhouse Gas Emissions *(Continued)*

  – *Indirect Greenhouse Gas Emissions from Electricity Consumption*

  Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off light during daytime, maintain lamps well to keep clean, and install energy-efficient lighting. Air conditioning is required to be set at no lower than 25˚C. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of a meeting room.

  KPI A1.2 Scope 2 – Energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group

  Main sources of Scope 2 emissions: Electricity purchased from power companies

	2022	2021
Types of emissions	(kg)	(kg)
CO_2 equivalent emission	61,130	63,034
Total GHG emissions	61,130	63,034

  – *Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills*

  In order to address indirect emissions relating to paper waste deposited at landfills, the Group encourages employees to apply computer technology such as emails and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, and adjust documents and use space efficiency formats to optimise use of paper, and put recycling boxes near the photocopiers to collect single-sided paper for reuse and used double-sided paper for recycling.

  To reduce paper usage, we have incorporated the principles of the "3Rs" (Reduce, Reuse, and Recycle) into our business activities. We target to establish a paperless office by using electronic administrative platforms and communication channels to our staff as well as customers whenever possible.

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. Environmental *(Continued)*

- Air and Greenhouse Gas Emissions *(Continued)*

  – *Indirect Greenhouse Gas Emissions from Business Travel by Employees*

  The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible.

  The Group recognises the severity of indirect greenhouse gas emissions from business travel by employees, and requires employees to utilise teleconference instead of overseas meetings and choose railway rather than via air for short distance travel where possible to reduce the carbon footprint of business travel.

  KPI A1.2 Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions

  Activities from which indirect GHG emissions arise:

	2022	2021
• Paper waste disposed at landfills – Hong Kong office		
Types of emissions	(kg)	(kg)
CO_2 equivalent emission	874	180
• Electricity used for processing fresh water and sewage by government departments		
Types of emissions	(kg)	(kg)
CO_2 equivalent emission	2	9
• Business air travel by employees		
Types of emissions	(kg)	(kg)
CO_2 equivalent emission	998	10,582
Total GHG emissions	1,874	10,771

  For the PRC operation, total paper waste disposed for the year ended 31 December 2022 is 221 kg (2021: 213 kg).

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. Environmental *(Continued)*

- Discharges into Water and Land

  The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

- Generation of Hazardous Waste and Non-hazardous Waste

  Our internal guidance encourages employees to handle office waste generated in a proper and environmentally friendly manner.

  – *Hazardous Waste*

    Hazardous wastes are those defined by national regulations. Hazardous wastes are required to be collected by recycling companies and labelled properly with sealed packaging.

    KPI A1.3 Total hazardous waste produced and intensity

    There was no significant hazardous waste generated in view of the Group's business nature.

  – *Non-hazardous Waste*

    We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with longer life-span, to install recycling bins to collect recyclables, such as waste paper, glass or aluminium bottles, metal, and plastics, and to have recyclers to collect recyclables.

    KPI A1.4 Total non-hazardous waste produced and the intensity

	2022	2021
	(Tonnes)	(Tonnes)
Non-hazardous waste produced – Landfill	0.10	0.11
Non-hazardous waste produced – Landfill or Incineration	1.11	1.03
Non-hazardous waste produced – Recycled	0.20	0.17
Total non-hazardous waste produced	1.41	1.31
	(Tonnes/ per employee)	(Tonnes/ per employee)
Non-hazardous waste intensity	0.03	0.02

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. *Environmental* *(Continued)*

- Generation of Hazardous Waste and Non-hazardous Waste *(Continued)*

  KPI A1.5 Description of measures to mitigate emissions and results achieved

  In accordance with policies stated above for the reduction of air and greenhouse gas emissions from vehicles, the Group adopts the following measures: control the numbers of vehicles owned by the Group; control the frequency of employees not to take public transportation for local business commuting; and control the volume of business travel by employees. We consider such measures had been achieved for the year ended 31 December 2022.

  KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved

  Non-hazardous wastes are preferred to be recycled, otherwise, they are sent for landfill or incineration. In accordance with policies stated above for the reduction of non-hazardous wastes, the Group adopts the following measures: control the commercial wastes generated by employees; control the waste of papers; control the volume of non-hazardous waste going direct to landfill or incineration without recycling. We consider such measures had been achieved for the year ended 31 December 2022.

- Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group

  For the year ended 31 December 2022, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Aspect A2: Use of Resources

The Group recognises that efficient use of resources, including energy, water and other raw materials, in production, storage, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment.

- Efficient Use of Energy

  The Group established policies and procedures to reduce energy consumption in the facility, to assess the energy efficiency, to increase the use of clean energy, if possible, to set applicable targets to monitor energy consumption, and to ensure power is turned off when electrical appliances are not in use.

  Electricity is the primary resource we consumed in our daily operations. In order to reduce such consumption, we have established a policy to monitor the use of energy, promote the procurement of energy efficient equipment, and require our colleagues to adopt green office practices.

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. Environmental *(Continued)*

- Efficient Use of Energy *(Continued)*

  KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity

	2022	2021
Direct energy consumption by type	(kWh in '000s)	(kWh in '000s)
Non-renewable fuel consumed	23	62
Electricity purchased for consumption	71	65
Total energy consumed	94	127
	(kWh in '000s/ per employee)	(kWh in '000s/ per employee)
Total energy consumption intensity	1.93	1.93

- Water Consumption

  The Group requires employees to reduce water consumption in the offices. For example, employees are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

  KPI A2.2 Water consumption in total and intensity

	2022	2021
	(Cubic metres)	(Cubic metres)
Annual water consumed	538	608
	(Cubic metres/ per employee)	(Cubic metres/ per employee)
Water consumption intensity	10.98	9.21

KPI A2.3 Description of energy use efficiency initiatives and results achieved

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2022.

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. Environmental *(Continued)*

- Water Consumption *(Continued)*

  KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

  The Group's ability to use water efficiently can be revealed by its intention and measures for the reductions in water consumption. Water consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. reliance on sources of water that may be considered sensitive due to their relative size or function; or status as a possibly rare, threatened, or endangered system; or to their possible support of a particular endangered species of plant or animal). The Group's policies and measures specific to water use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2022.

- Efficient Use of Raw Material and Packaging Material

  No significant raw material or packaging material waste was generated in view of the Group's business nature.

  KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced

  The disposal of products and packing materials at the end of a use phase is a steadily growing environmental challenge, tracking the use of packaging materials is to reduce, reuse and/or recycle the packaging materials. As mentioned above, no significant raw material or packaging material waste was generated in view of the Group's business nature.

Aspect A3: The Environment and Natural Resources

The Group is committed to reducing the operation impacts on environment and natural resources. Policies are established to consider the actual impacts on environment and natural resources and to reduce such impacts. We encourage environmental education and advocacy among employees to motivate environmentally responsible behaviour which helps fulfil the Group's commitment to minimising its adverse impacts on the environment.

KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them

We understand that our performance in respect of emissions, waste production and disposal, and use of resources impacts the environment, we endeavour to minimise such impacts, and communicate our environmental policies, measures, performance, and achievements to our stakeholders. No significant impact on the environment and natural resources was caused in view of the Group's business nature. Policies and/or measures adopted in the year ended 31 December 2022 specific to managing potential impacts of activities on the environment and natural resources are mentioned above.

GENERAL DISCLOSURE AND KPIS *(Continued)*

A. *Environmental* *(Continued)*

Aspect A4: Climate Change

The Group mainly engages in financial services business which does not involve production. The increase in temperature may lead to an increase in the energy consumption of the Group's offices and branches. The Group will continue to monitor the potential risks of climate change and its impacts on the Group's operations and customers, and devise and implement preventive and emergency measures accordingly. Besides, the Group will continue its efforts to control energy consumption and carbon emissions.

B. *Social*

The Group strives to fulfil its social responsibilities as a corporate citizen of communities. We endeavour to establish harmonious relationship with our employees, customers, suppliers or service providers, business allies, competitors and the communities. We care about the well-being and development of employees, ensure high standard of service responsibility, enhance transparent relationship with external parties, including customers, suppliers or service providers, business allies, competitors, and contribute to our community development.

Employment and Labour Practices

Aspect B1: Employment

The Group established employment policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- Compensation and Dismissal

  The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, pregnancy, disability, age or family status.

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Employment and Labour Practices (Continued)

- Recruitment and Promotion

  The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Promotion is based on performance and suitability.

  KPI B1.1 Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region

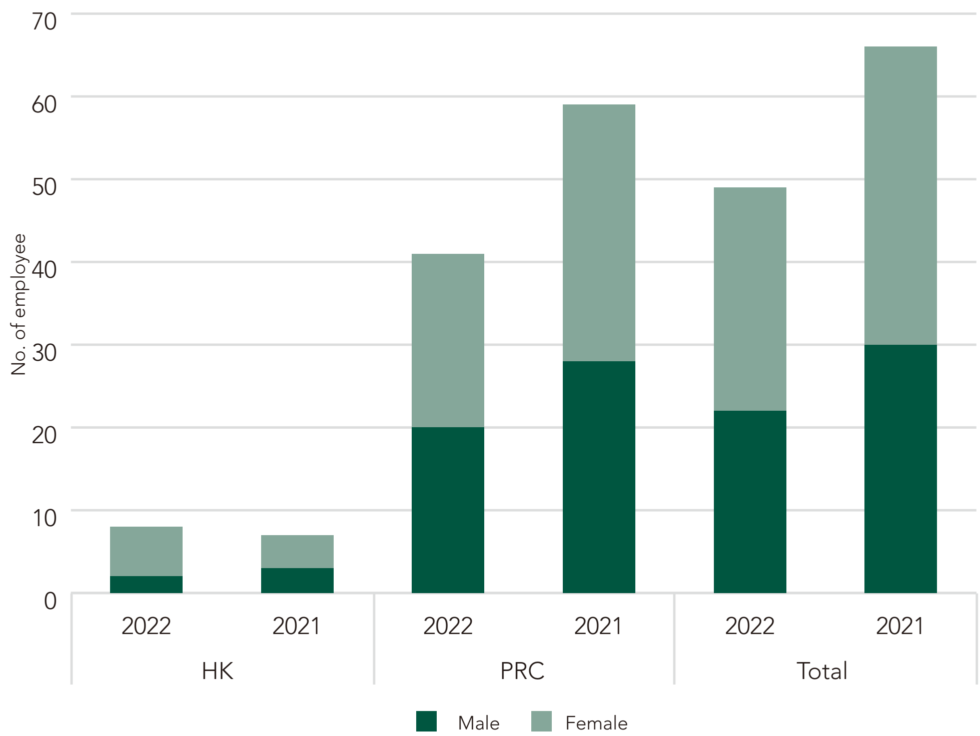
  As at 31 December 2022, the Group had a total of 49 employees (2021: 66 employees). The human resources structure of the Group was relatively stable. Meanwhile, the workforce composition of the Group was also considered to be more balanced and diverse in terms of gender and age.

  Workforce indicators

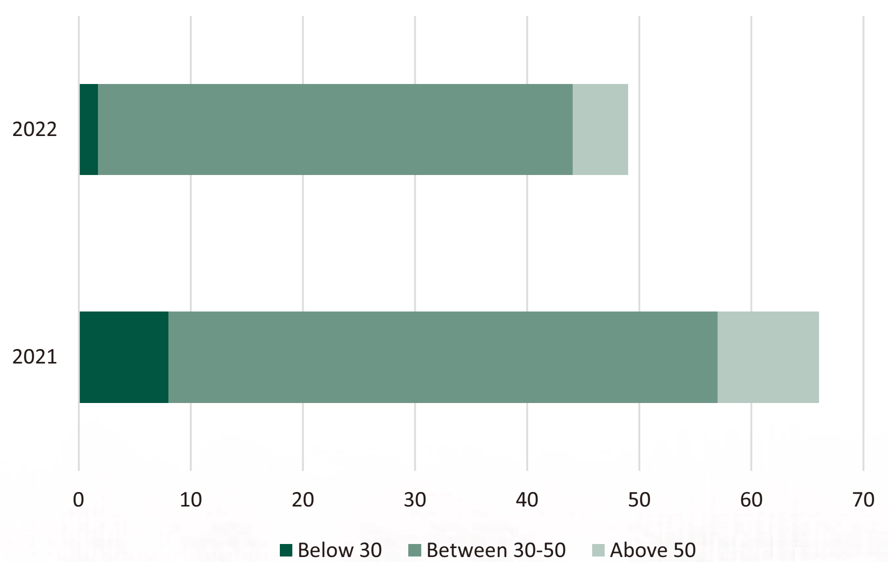
	2022	2021
Number of employees		
By gender		
Female	27	36
Male	22	30
By age group		
Below 30	2	8
30 to 50	42	49
Above 50	5	9
By region		
Hong Kong	8	7
PRC	41	59
By employment contract		
Permanent	45	62
Temporary/Part-time	4	4

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

Workforce by Location and by Gender as at Year End



Workforce by Age Group as at Year End



GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social *(Continued)*

Employment and Labour Practices *(Continued)*

- Recruitment and Promotion *(Continued)*

  KPI B1.2 Employee turnover rate by gender, age group and geographical region

  Employee turnover indicators

	2022	2021
Number of employee turnover		
By gender		
Female	8	2
Male	9	5
By age group		
Below 30	3	1
30 to 50	12	4
Above 50	2	2
By region		
Hong Kong	2	-
PRC	15	7
By employment contract		
Permanent	17	7
Temporary/Part-time	-	-
Employee turnover rate (%)		
By gender		
Female	30%	6%
Male	41%	17%
By age group		
Below 30	150%	13%
30 to 50	29%	8%
Above 50	40%	22%
By region		
Hong Kong	25%	-
PRC	37%	12%

During the year ended 31 December 2022, a total of 17 employees (2021: 7 employees) left the Group, representing total turnover rate of employees of 35% (2021: 11%).

- Working Hours, Rest Periods, Benefits and Welfare

  Employees' working hours, rest periods, benefits and welfare, including mandatory provident fund and social security benefits, are required to be in compliance with employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided.

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Employment and Labour Practices (Continued)

- Equal Opportunities, Diversity and Anti-discrimination

  The Group is an equal opportunity employer. We endeavour to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, age, or other measures of diversity.

- Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group

  For the year ended 31 December 2022, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that would have a significant impact on the Group.

Aspect B2: Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses. Safety inspections and spot checks across all departments were conducted periodically to review the safety and health issues.

- Providing a Safe Working Environment

  The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

  We are committed to maintaining a safe and hygienic workplace by regularly monitoring the physical conditions of our offices including with regards to cleanliness, indoor air quality, pest controls, security, fire precautions, etc.. Masks are required to be provided to employees when haze occurs or respiratory virus spreads. Physical examination of employees in Beijing is required to be arranged each year by the Group for preventing infectious diseases and occupational diseases.

- Protecting Employees from Occupational Hazards

  One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group encourages such training to be delivered to employees.

- Work-life Balance

  The Group supports employees to enjoy leisure and sports activities outside of workplace, with the aim of enhancing work-life balance, personal development and sense of belonging among employees.

KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year

No work-related fatalities occurred in the Group in each of the past three years including this reporting year.

KPI B2.2 Lost days due to work injury

No lost days due to work injury incurred in the Group for the year ended 31 December 2022 (2021: Nil).

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Employment and Labour Practices (Continued)

- Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group

  For the year ended 31 December 2022, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards that would have a significant impact on the Group.

Aspect B3: Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally.

- Employee Development

  The Group requires employees to attend internal and external training courses including employee continuing education to improve employees' knowledge and skills for their job positions.

- Training Activities

  The Group has its internal policy on staff training that covers human resource development and training system, training plan and execution, evaluation of training results, costs, trainer management, and responsibilities.

  Training and development courses are offered throughout the Group to upgrade employee skills and knowledge. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Training topics vary from updates on rules and regulations, technical knowledge, management skills to customer services standards. Furthermore, on-job training including coaching by supervisors is offered to our staff in order to maintain and enhance our work quality. We also encourage our staff to discuss their learning plans with their supervisors during their performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate. All new employees are required to undergo trainings regarding the corporate culture, basic guidelines, policies and procedures, safety, basic knowledge about the Group's operations and systems, etc..

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Employment and Labour Practices (Continued)

- Training Activities *(Continued)*

  KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)

  Development and training indicators

	2022	2021
Total number of hours of training received by employees	121.5	448.5
Total number of employees trained (%)	65%	83%
Average training hours completed per employee	2	7
Percentage of employees trained:		
By gender		
Female	50%	56%
Male	50%	44%
By employee category		
Senior management	3%	5%
Middle management	13%	15%
Others	84%	80%

KPI B3.2 The average training hours completed per employee by gender and employee category

	2022	2021
Average training hours completed per employee:		
By gender		
Female	2	7
Male	3	7
By employee category		
Senior management	-	3
Middle management	1	4
Others	3	8

The Group continued to provide practical training to its employees in 2022. Compared to training hours in 2021, the Group provided less training hours to employees in 2022, due to the impact from Covid-19.

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Employment and Labour Practices (Continued)

Aspect B4: Labour Standards

The Group is committed to avoiding child and forced labour in the workplace.

- Preventing Child and Forced Labour

  The Group prohibits child labour. It requires human resource department and user departments to work together to prevent or identify child labour, and to ensure child labour is not in the workforce. Prior to any confirmation of employment of the Group, our human resources department will require job applicants to provide valid identity documents to verify that the applicants are lawfully employable and ensure full compliance with relevant laws and regulations that prohibit child and forced labour. If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent and the Group would have the right to terminate the labour contract immediately. The Group will regularly review the employees' information to ensure there is no violation of any regulations and policies.

  We are committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for our employees.

- Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group

  For the year ended 31 December 2022, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour that would have a significant impact on the Group.

Operating Practices

Aspect B5: Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires impartial selection of suppliers and service providers, maximisation of competition in tendering process, approval of contract terms, compliance with laws and regulations, prevention and detection of bribery or fraud in the tendering and procurement process, and accomplishment of efficiency and cost saving in procurement.

The Group expects the suppliers to implement good employment measures by dealing with their employees fairly and reasonably, respecting employees' rights and providing employees with an environment free from discrimination, child labour and forced labour. The suppliers also need to adhere to transparent business processes and high standards of conduct which they have to avoid conflicts of interest and prohibit corruption and bribery. Before making any procurement decisions, the Group will conduct due diligence and assessments on suppliers to avoid environmental and social risks along the supply chain. Our supply chain management policies and procedures include assessment, selection, approval, procurement and performance evaluation. We regularly evaluate our key suppliers' performance to determine whether to extend our partnership with them. Performance evaluation is based on capacity, delivery accuracy and punctuality, service, environmental protection and social responsibilities.

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social *(Continued)*

Operating Practices *(Continued)*

Aspect B5: Supply Chain Management *(Continued)*

The Group's suppliers mainly comprise those providing consultancy services to the Group, general supplies for shops and offices are located in both Hong Kong and the PRC. During the year ended 31 December 2022, the Group had 71 suppliers (2021: 97 Suppliers) and 34 suppliers (2021: 36 suppliers) located in the PRC and in Hong Kong respectively.

Aspect B6: Product Responsibility

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to services provided and method of redress.

- Health and Safety

  The Group is fully responsible for our services, including health and safety relating to our services provided. No services provided by the Group are subject to recalls for safety and health reasons and no service related complaint is received by the Group for the year ended 31 December 2022 (2021: Nil).

  We take our safety obligations seriously so as to meet and, where possible, go beyond the regulatory standards in relation to health and safety that are applicable to our services.

  We ensure health and safety relating to our services provided. We are required to comply with internal policies and regulatory requirements when delivering our services and regularly review our services quality and seek customer feedback to identify areas of improvement.

- Advertising

  The Group respects our customers' rights and is committed to providing accurate service information for customers in connection with their procurement decision. The Group requires careful review of advertising material to protect customers' interest.

- Labelling

  The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights, if applicable, are protected. We ensure that the information and marketing materials we provided do not contain any misleading content to protect customers' interests.

- Privacy Matters

  The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

  We acknowledge the importance of protecting the privacy and confidentiality of our customers' information. An internal policy which governs the collection, handling, and disclosure of clients' data has been developed and communicated to our staff. The Group has prohibited the use of any personal information of customers by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of customers.

- Methods of Redress

  Although we ensure the quality of our services, at the same time, the Group requires that services with quality, safety, or health issues should be compensated in accordance with terms of service agreements. Compensation of services is required to be offered to all customers who are affected with consistent treatment and procedures.

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Operating Practices (Continued)

- Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group
  For the year ended 31 December 2022, there were no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group.

Aspect B7: Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. We require employees and we encourage employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering. The Group established code of conduct lays out the Group's expectation and guiding provisions on anti-corruption. We provide publications on anti-corruption practices to our directors and senior management personnel regularly. Anti-corruption measures and laws are enforced within the business arena of the Group. The Group endeavor to maintain high moral standard and integrity, and forbid any forms of corruptions by setting out guidance in the Group's Code of Conducts. Whistleblowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behavior.

There is no concluded legal cases regarding corrupt practices brought against the Group or its employees during the year ended 31 December 2022.

- Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group
  For the year ended 31 December 2022, there were no confirmed non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

Community

Aspect B8: Community Investment

The Group endeavours to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

- Labour Needs
  The Group strives to enlarge the business operation so that we can hire more workers to utilise communities' available labour resources.

GENERAL DISCLOSURE AND KPIS *(Continued)*

B. Social (Continued)

Community (Continued)

- Community Activities

  We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events.

  The Group has realised the significance of a sustainable community in facilitating the growth and development of all the business operations. It is the responsibility of the Group to contribute to the well-being of the community in which it operates. For this purpose, the Group had continuously provided subsidies to a student for over ten years until the student obtained a bachelor degree. In 2021, the Group made donation or contribution to hospitals and centers for epidemic prevention, and two employees participated epidemic prevention activities in the community. Charitable or community events such as sports events are organised where the employees are encouraged to contribute as a team to the community. These events facilitate interaction among employees and with the community.

  During the year, the Group has contributed approximately 60 hours of social activities and events to the community in relation to the participation in epidemic duty arranged by the PRC government. In last year, the Group has contributed approximately 51 hours of social activities and events to the community. In last year, the Group actively participates in industry sharing that the Group has provided 4 trainings on pawn business knowledge to participants in the pawn business; and the Group acted as a representative for all the pawn enterprises located in Haidian and Xicheng, the Group has participated in several relevant symposiums organized by the Financial Bureau, the National People's Congress, the Chamber of Commerce and the pawn industry association, to provide advices for the development of the industry.

- Environmental Protection

  All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Wei ("**Mr. Zhang**"), aged 54, is the Chairman, chief executive officer (the "**CEO**"), executive director and a member of the nomination committee of the Company since 1 December 2015. Mr. Zhang currently is a general manager of Beijing Wanchi, a subsidiary of the Company which was acquired by the Group in June 2014. Mr. Zhang joined Beijing Wanchi in November 2012. Mr. Zhang has taken up the management role as the chairman/director and general manager of a number of subsidiaries of the Company. Mr. Zhang holds a diploma in banking management from Harbin University of Finance and studied the subject of law and graduated from the People's Republic of China Communist Party Beijing City Committee Party School*. Mr. Zhang has over 26 years of experience in the financial management field. Prior to joining Beijing Wanchi in 2012, he held various managerial positions in banking and investment management corporations.

Ms. Li Wei ("**Ms. Li**"), aged 46, is the executive director of the Company. She has also been appointed as the compliance officer of the Company. She is a director of certain subsidiaries of the Company. Ms. Li was the chief operating officer and executive director of the Company from August 2015 and July 2016 respectively, and all such roles ceased in September 2017. Ms. Li was also the vice chairlady and deputy chief executive officer of the Company from September 2019, and all such roles ceased in December 2021. Ms. Li obtained a master's degree in management from Tianjin University in the PRC. Ms. Li is currently the acting chief executive officer of China Vered Financial Holding Corporation Limited (stock code: 245) ("**China Vered**"), a company listed on the Main Board of the Exchange. Ms. Li was also the executive vice president and executive director of China Vered from August 2018 to May 2019 and from July 2018 to December 2022 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Yihua ("**Mr. Chen**"), aged 49, is the independent non-executive director, chairman of the nomination committee and a member of the remuneration committee and audit committee of the Company. Mr. Chen holds a bachelor's degree in machinery manufacturing engineering from Tianjin University, the PRC. Mr. Chen has 22 years of experience in management in international express logistic industry. Mr. Chen is also familiar with import and export business in machinery and equipment. Mr. Chen held managerial position in different multinational companies, such as China National Overseas Engineering Corporation and FedEx Express-DTW Co. Ltd.. Mr. Chen is currently the senior director of infrastructure and process engineering of DHL-Sinotrans International Air Courier Ltd..

Mr. Lee Zak Yuen ("**Mr. Lee**"), aged 34, is the independent non-executive director, chairman of the remuneration committee and a member of the nomination committee and audit committee of the Company. Mr. Lee graduated from Syracuse University with a master's degree in science in 2017. He is currently an executive director, the general manager and the authorised representative of Kawo Automobile Co., Ltd.* (凱沃汽車有限公司) and European and American Smart Cold Chain Logistics Industrial (Hainan) Co. Ltd.* (歐美智慧冷鏈物流產業園(海南)有限公司) respectively. He is also the vice chairman of the US-Hainan Business Consortium USA. Mr. Lee has extensive experience in international trade and business management.

* *English name is for identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chan Ngai Fan ("**Mr. Chan**"), aged 43, is the independent non-executive director, chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company, responsible for providing independent opinion and judgement to the Board. Mr. Chan has more than 15 years of experience in auditing, accounting and financial management. Mr. Chan obtained a bachelor's degree in Arts in Accountancy and a master's degree in Corporate Governance from the Hong Kong Polytechnic University in December 2007 and October 2013, respectively. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising), and an associate member of the Hong Kong Institute of Chartered Secretaries since February 2011 and November 2019, respectively.

Mr. Chan is currently an independent non-executive director of Sanxun Holdings Group Limited (stock code: 6611), Leader Education Limited (stock code: 1449) and Contel Technology Company Limited (stock code: 1912) since September 2019, July 2020, and March 2022 respectively, all companies listed on the Main Board of the Exchange.

SENIOR MANAGEMENT

Ms. Lam Fei Sui ("**Ms. Lam**"), aged 44, is the chief financial officer and authorised representative of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Ms. Lam joined the Group in July 2015. She holds a Bachelor's Degree of arts in accountancy from The Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Lam has more than 15 years of experience in accounting and finance, auditing and internal audit in both Hong Kong and the PRC. Prior to joining the Group, Ms. Lam has worked for an international accounting firm and a company whose shares are listed on the Main Board of the Exchange.

CORPORATE GOVERNANCE REPORT

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

On 1 January 2022, the amendments to Appendix 15 Corporate Governance Code of the GEM Listing Rules (the "**CG Code**") came into effect and the requirements under the CG code has applied to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest developments of the CG Code.

Throughout the year ended 31 December 2022, the Company had complied with all the code provisions set out in the CG Code of the GEM Listing Rules with the exception of the following deviations:

CODE PROVISION C.2.1

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei was appointed as the Chairman and the CEO on 1 December 2015. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

THE BOARD

As at the date of this annual report, the Board comprised five Directors, including two executive Directors, namely Mr. Zhang Wei as the Chairman and the CEO and Ms. Li Wei; and three independent non-executive Directors, namely Mr. Chen Yihua, Mr. Lee Zak Yuen and Mr. Chan Ngai Fan.

Biographical details of the Directors are shown on pages 38 to 39 and set out on the website of the Company. The List of Directors and their Role and Function was published both on the websites of the Company and the Exchange. The Board is currently supported by the audit committee, remuneration committee and nomination committee of the Company to oversee specific areas of the Company's affairs. Each of these committees has been established with written terms of reference, which were approved by the Board, setting out the committee's major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Exchange.

THE BOARD *(Continued)*

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results;
- oversee the risk management and internal control systems on an ongoing basis;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates Shareholders on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to the Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company and its Shareholders. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The non-executive Directors (including the independent non-executive Directors), advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his/her own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the executive Directors and non-executive Directors. The Chairman should hold meetings with the independent non-executive Directors at least annually without presence of other Directors to evaluate the functioning of the Board.

All independent non-executive Directors are appointed for a term of one year. They are subject to the retirement by rotation and re-election of Directors in the bye-laws of the Company (the "**Bye-laws**") which requires one-third of the Directors in office to retire from office by rotation but eligible for offering, themselves to be re-elected at each annual general meeting of the Company.

The executive Directors are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Director has made written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. Upon review, the Board concluded that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

MECHANISMS TO ENSURE INDEPENDENT VIEWS IN THE BOARD

The Board has established mechanisms to ensure independent views are available to the Board. Such mechanism is designed to ensure a strong independent element on the Board of the Company, which allows the Board effectively exercises independent judgment to better safeguard shareholders' interests. During the year ended 31 December 2022, the Board had conducted an annual review that the mechanism is effective in ensuring that independent views and input are provided to the Board. A summary of the mechanism is set out below:

Composition

The Board shall ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

Independence Assessment

Certain principles and aspects are set for evaluating the independence of the independent non-executive Directors are that the independent non-executive Directors should not have any substantive or material interest with the Group, the management of the Group or the Controlling Shareholder of the Group, including stock ownership relationship, employment and compensation relationship, business relationship, professional relationship and cross-directorships and any other links.

Mechanism

A mechanism is in place for Directors to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and consult with the Company's senior management independently, if necessary. An annual review on Board independence will be conducted, with attention to ensuring that it remains independent in judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Zhang Wei acknowledged the distinct roles of the Chairman and the CEO. His respective responsibilities are clearly defined and segregated to ensure a balance of power and authority, and reinforce his independence and accountability. The Chairman provides leadership for the decision of the Board regarding the daily operations and administration of the Company are delegated to the management, led by the CEO. Acting as the principal manager, the CEO develops operating plans and strategies to the Board and ensuring the effective implementation of the strategies and policies adopted and prioritised by the Board supported with effective and competence management built and maintained by him. The CEO maintained to keep all Directors timely and appropriately informed of all major changes and business development.

THE BOARD COMMITTEES

*(1) Remuneration Committee (the "**RC**")*

The RC reviews and makes recommendations to the Board on the remunerations of Directors and senior management. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion. The RC was set up on 20 March 2006 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC comprises all independent non-executive Directors and chaired by an independent non-executive Director. During the year ended 31 December 2022 and up to the date of this annual report, the members of the RC were as follows:

Independent non-executive Directors:
Mr. Lee Zak Yuen *(Chairman)*
Mr. Chen Yihua
Mr. Chan Ngai Fan *(appointed on 1 January 2022)*

The RC held five meetings and passed one written resolution during the year ended 31 December 2022 in making recommendation to the Board on the remuneration package of the existing Directors and senior managements and reviewing the policy and structure of the remuneration packages for Directors. The company secretary of the Company (the "**Company Secretary**") act as the secretary to the RC. The roles and functions of the RC are to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives and matters relating to share schemes under the GEM Listing Rules when necessary. The RC is provided with sufficient resources by the Company to discharge its duties. No individual Director is involved in deciding his or her own remuneration.

THE BOARD COMMITTEES *(Continued)*

*(1) Remuneration Committee (the "**RC**") (Continued)*

The emolument payable to Directors depends on the prevailing market conditions, the Company's performance and their time, effort and expertise to be exercised on the Group's affairs and the Company's remuneration policy.

The remuneration packages of each Directors and senior management were discussed, reviewed and recommended to the Board during the year ended 31 December 2022. Details of Directors' emoluments are set out in Note 8 to the consolidated financial statements in this annual report.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2022 was within the following band:

In the band of	Number of individual
HK$1,000,001–HK$1,500,000	1

The Company has adopted a share option scheme since 2012 which was expired on 2 August 2022 (details of which are set out in Note 31 to the consolidated financial statements in this annual report). The purpose of the said share option scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

*(2) Nomination Committee (the "**NC**")*

The NC was set up on 1 February 2012 with written terms of reference to review the structure, size and composition (including but not limited to the gender, skills, knowledge, experience and diversity of perspectives) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The NC is chaired by an independent non-executive Director. The NC comprises a majority of independent non-executive Directors. During the year ended 31 December 2022 and up to the date of this annual report, the members of the NC were as follows:

Executive Director:
Mr. Zhang Wei

Independent non-executive Directors:
Mr. Chen Yihua *(Chairman)*
Mr. Lee Zak Yuen
Mr. Chan Ngai Fan *(appointed on 1 January 2022)*

THE BOARD COMMITTEES *(Continued)*

*(2) Nomination Committee (the "**NC**") (Continued)*

The NC held five meetings during the year ended 31 December 2022 in making recommendations to the Board on the re-appointment of Directors and senior management and on the re-election of Directors at the general meeting; reviewing the structure, size, composition and diversity of the Board members; assessing the independence of the independent non-executive Directors; reviewing the need to separate the roles of the Chairman and the CEO and reviewing the Nomination Policy (as defined below) and Board Diversity Policy (as defined below). The Company Secretary act as the secretary to the NC. The roles and functions of the NC are to identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors, review the Board Diversity Policy and the Nomination Policy and the progress on achieving the objectives set for implementing the Board Diversity Policy and the Nomination Policy and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

Director Nomination Policy

Director nomination policy of the Group (the "**Nomination Policy**") is in place and was adopted in writing on 31 December 2018. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Company recognises that certain independent non-executive Directors could have multiple business commitments, including directorship to other corporations. The Company requires these independent non-executive Directors to be committed sufficient time to be devoted to the Group as mutually deemed necessary. The board diversity policy (the "**Board Diversity Policy**") adopted aims to set out the approach to achieve diversity on the Board. A summary of the Board Diversity Policy is set out below:

Measurable Objectives and Implementation

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

THE BOARD COMMITTEES *(Continued)*

(2) *Nomination Committee (the "**NC**")* *(Continued)*

Board Diversity Policy *(Continued)*

Monitoring and Reporting

The NC will report annually, in this annual report, on the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

Review of the Board Diversity Policy

The NC will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board currently comprises of five Directors, one of which is female. Our diversity philosophy is to avoid a single gender Board. One of our Directors is in the age group of 30 -39, three are in the age group of 40–49 and one in the age group of 50–59. The background of our Directors including financial management, import and export business, international trade, audit and accounting. In view of these, the NC was of the opinion that the Board consisted of members with diversified gender, age, cultural and education background, professional/business experience, skills and knowledge.

(3) *Audit Committee (the "**AC**")*

The AC comprises all independent non-executive Directors and is chaired by an independent non-executive Director who has appropriate professional qualifications and related financial management expertise. During the year ended 31 December 2022 and up to the date of this annual report, the members of the AC were as follows:

Independent non-executive Directors:
Mr. Chan Ngai Fan *(Chairman) (appointed on 1 January 2022)*
Mr. Chen Yihua
Mr. Lee Zak Yuen

The AC held four meetings during the year ended 31 December 2022 in reviewing the quarterly, interim and annual reports before submission to the Board, the corporate governance, internal control and risk management issue, adequacy of the resources, staff qualifications and experience, training programmes and budget on accounting, financial reporting and internal audit functions; and making recommendations to the Board on the re-appointment of external auditor of the Company and the engagement of a consultancy firm for the provision of risk assessment and internal audit services and provision of environmental, social and governance services to the Group. The Company Secretary act as the secretary to the AC. The AC performs, amongst others, the following roles and functions:

- ensure that co-operation is given by the Company's management to the external auditor where applicable;
- review the Group's quarterly, interim and annual results announcements and reports and the financial statements prior to their recommendations to the Board for approval;
- review the effectiveness of the Group's financial reporting system, risk management and internal control systems; and
- review transactions with connected persons (if any).

THE BOARD COMMITTEES *(Continued)*

*(3) Audit Committee (the "**AC**") (Continued)*

Review of risk management and internal control systems

The AC is delegated by the Board with the responsibility to provide independent oversight of the Group's financial reporting, risk management and internal control systems, and the adequacy of the external and internal audits. The AC reviewed the effectiveness of the Group's risk management and internal control systems by reviewing the reports (including the internal audit plan) issued by the independent internal control service provider and the internal control self-assessment from the management.

The AC reviewed and concurred with the management's confirmation that for the year ended 31 December 2022: (i) the Group's risk management and internal control systems were effective and adequate; and (ii) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

Review of accounting, financial reporting and internal audit functions

The AC reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget, on the Group's accounting, financial reporting and internal audit functions.

BOARD COMPOSITION AND BOARD AND COMMITTEE MEETINGS

Practices and Conduct of Meetings

The Board meets regularly at least four times each year and more frequently as the needs of the business demand. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities.

The Board and committees' meeting schedule and the agenda of each meeting were made available to Directors in advance.

Notices of regular Board meetings were served to all Directors at least 14 days before the meetings. For all other Board and committees' meetings, reasonable notices were given.

Papers for Board meetings or committees' meetings together with all relevant information are sent to all Directors or committee members at least 3 days before each regular meeting to enable them to make informed decisions with adequate data. The Board and each Director also have direct and independent access to the management whenever necessary.

According to the current Board practice, any material transactions involving a conflict of interest with a substantial Shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws also contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMPOSITION AND BOARD AND COMMITTEE MEETINGS *(Continued)*

Practices and Conduct of Meetings (Continued)

Meetings Held and Attendance

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings during the year ended 31 December 2022 are set out below:

	Meetings attended/Meetings held				
Name of Directors	**Board meetings**	**AC meetings**	**RC meetings**	**NC meetings**	**General meetings**
Executive Directors					
Mr. Zhang Wei *(Chairman and CEO)*	12/12	N/A	N/A	5/5	2/2
Ms. Li Wei	11/12	N/A	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Chen Yihua	12/12	4/4	5/5	5/5	2/2
Mr. Lee Zak Yuen	12/12	4/4	5/5	5/5	2/2
Mr. Chan Ngai Fan *(appointed on 1 January 2022)*	12/12	4/4	5/5	5/5	2/2
Total number of meetings held	12	4	5	5	2

INDUCTION AND CONTINUOUS DEVELOPMENT

Each newly appointed Director receives a comprehensive induction package (the "**Package**") designed to enhance his/her knowledge and understanding of the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, businesses strategies, recent developments and governance practices.

In order to keep the Directors remain informed and refresh their relevant knowledge and skills (Note), the Company provided regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors and encouraged Directors to participate in continuous professional developments. During the year ended 31 December 2022, the Directors have confirmed that they have received the training as follows:

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/ or forums
Mr. Zhang Wei *(Chairman and CEO)*	✔	—
Ms. Li Wei	✔	—
Mr. Chen Yihua	✔	✔
Mr. Lee Zak Yuen	✔	✔
Mr. Chan Ngai Fan	✔	✔

Note: Training set out above refers to training relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, interim and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as the information required to be disclosed pursuant to statutory requirements.

The above statements, which should be read in conjunction with the independent auditor's report set out from pages 78 to 83 of this annual report, are made with a view to distinguishing how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

ACCOUNTABILITY AND AUDIT *(Continued)*

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022. The Directors considered the Group has applied appropriate accounting policies consistently and made judgements and estimates that are prudent and reasonable in accordance with applicable accounting standards.

The quarterly, interim and annual results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remuneration, reviewed and approved by the AC on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, Mazars CPA Limited ("**Mazars**"), were as follows:

	Year Ended	
Nature of services	31 December 2022 Amount HK$'000	31 December 2021 Amount HK$'000
Audit services	750	712
Non-audit services (Note)	250	238

Note: Non-audit services provided by Mazars during the years ended 31 December 2022 and 2021 included agreed-upon procedures reports on the Group's quarterly result & other professional services.

CORPORATE GOVERNANCE FUNCTION

The written terms of reference of the corporate governance functions was adopted by the Company on 1 February 2012 and the Board is collectively responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors and senior managements;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in corporate governance reports; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems to safeguard the interests of Shareholders and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financial reporting, and internal control systems on an on-going basis and reviewing their effectiveness at least annually through the AC. The AC assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management (including environmental, social and governance ("**ESG**") risk) and internal controls, and the resourcing of the finance and internal audit functions.

The Board recognises that corporate governance and ESG are complementary, with corporate governance inextricably linked to good governance of environmental and social issues. The Company's business, from day-to-day operations to aspects of commercial viability, including but not limited to brand and reputation, and stakeholder capitalism, are all relating to corporate governance and ESG. The management of issues relating to how an organisation interacts with the environment, its own people and the communities in which it operates all tie in with how the organisation is governed. Taken together, corporate governance and ESG demonstrate how a business ought to be managed and operated, while simultaneously taking into consideration environmental and social risks or impacts. The Company acknowledges that good corporate governance practices are not only a prerequisite for managing ESG issues, but provide the bedrock for managing environmental and social risk and ensuring there is accountability and ownership at the highest level of the business.

To this end, appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks (including material risk relating to ESG) that may impact on the Group's performance are appropriately identified and managed. Besides, management continues to allocate resources for the risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the AC, has delegated the internal audit function to an independent internal control service provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022. The review is conducted in accordance to the internal audit plan approved by the AC, which covers all material controls, including financial, operational and compliance controls. The Board considers that the Group's risk management and internal control systems are effective and adequate.

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

The Board reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget, on the Group's accounting, financial reporting and internal audit functions.

The Board, through delegation of its authority to an ESG working group, is also responsible for reviewing the Company's corporate social responsibility strategy, principles and policies; setting guidance, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The following highlights the key risk management measures under the Group's "Three Lines of Defence" model for 2022.

1st line of defence — Risk management

- Management conducted an annual internal control self-assessment for 2022. Division heads confirmed that appropriate internal control policies and procedures have been established and complied with.
- Various policies, procedures and guidelines have been adopted with defined authority for effective segregation of duties, controls and risk management, and they are subject to regular review.
- The Group's anti-bribery and anti-corruption guidelines were adopted to set out minimum standards in recognising circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to help avoid conduct which is clearly prohibited, and to encourage everyone in the Group to seek appropriate guidance promptly when needed.
- The Group's whistleblowing policy was adopted to facilitate internal reporting of any malpractice and unethical conduct within the Group without fear of reprisal and victimisation.

2nd line of defence — Risk oversight

- The Group's enterprise risk management ("**ERM**") policy was developed to outline the principles, governance, roles and responsibilities, and approach within a coherent risk management framework that addresses and prioritises risks that are material and relevant to the Group's corporate goals.
- The Group's ERM framework was refined to help management assess and manage risks arising from and associated with new business activities and environments, including emerging risks. An integrated risk assessment approach was adopted to address risks across various subsidiaries of the Group, to assess those risks on an integrated group-wide basis.

3rd line of defence — Independent internal control service

- The internal control service provider takes up the internal audit function, who is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control systems and reporting the review results regularly to the Board through the AC.

The Group's ERM policy was approved by the Board as an effective and adequate approach to be applied across the Group to manage the risks associated with its business and operations. This policy is designed to enhance ERM of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;
(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;
(iii) develop and communicate policies on ERM and controls aligned with the business strategy; and
(iv) enhance reporting to provide transparency of risks across the Group.

For internal audit, a risk-based approach is adopted. The annual work plan of internal control service provider for internal audit covers major activities and processes of the Group's operations, businesses and service units. The results of these audit activities are communicated to the AC and key members of senior management of the Group. Audit issues are tracked and followed up for proper implementation, and their progress are reported to the AC and senior management of the Group (as the case may be) periodically. The internal control service provider for internal audit provides recommendations to the Board; the AC and the senior management of the Group for ensuring the adequacy and effectiveness of internal controls for the Group.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group to assess the effectiveness of risk management and internal control systems at least annually and to personally certify, through the internal control self-assessment for 2022, that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future.

The Company regulates the handling and dissemination of inside information as set out in the code of conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

COMPANY SECRETARY

The appointment and removal of the company secretary is subject to approval by the Board in accordance with the Bye-laws. The company secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The company secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the board papers and minutes of the Board and committees of the Company. Ms. Tsoi Lai Kwan ("**Ms. Tsoi**"), delegated by an external service provider, had been appointed as the Joint Company Secretary on 28 May 2021 and redesignated as the Company Secretary following the resignation of Mr. Tsang Tsz Man ("**Mr. Tsang**") as the Joint Company Secretary on 1 August 2022. Mr. Tsang and Ms. Tsoi confirmed that they have complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules. During the year ended 31 December 2022, both Mr. Tsang and Ms. Tsoi have taken no less than 15 hours of relevant professional training. Ms. Tsoi's primary corporate contact is Ms. Lam Fei Sui, the chief financial officer of the Company.

CONSTITUTIONAL DOCUMENTS

The latest version of the amended and restated Bye-laws has been published both on the websites of the Company and the Exchange since 9 March 2012 and did not made any amendments to the Bye-laws during the year ended 31 December 2022.

For the purposes of (i) bringing the existing amended and restated Bye-laws in line with the amendments made to the GEM Listing Rules (in particular to conform to the core shareholder protection standards as set out in Appendix 3 to the GEM Listing Rules) and applicable laws of Bermuda; and (ii) making certain other consequential or minor housekeeping amendments to the existing Bye-laws, the Board proposes to seek approval of the Shareholders by special resolution at the forthcoming annual general meeting to amend the existing Bye-laws by way of adopting a new set of bye-laws of the Company in substitution for and to the exclusion of the existing Bye-laws.

INVESTOR RELATIONS

The Board recognises the importance of maintaining on-going communication with the Shareholders. The Company promotes communications with the Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and quarterly, interim and annual reports as prescribed under the GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

INVESTOR RELATIONS *(Continued)*

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the Shareholders. The Shareholders are encouraged to attend all general meetings of the Company. The notices of the special general meetings and annual general meeting of the Company were circulated to all the Shareholders in accordance with the requirements of the GEM Listing Rules and the Bye-laws. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the websites of the Exchange and the Company after the meetings.

The Shareholders' communication policy of the Company sets out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the website of the Exchange at www.hkexnews.hk and on the website of the Company at http://www.capitalfinance.hk;

(ii) periodic announcements are published on the websites of the Exchange and the Company;

(iii) corporate information is made available on the Company's website; and

(iv) annual and special general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries about Shareholders' shareholdings can be directed to the Company's share registrar.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to Unit 2613A, 26/F., Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong or email at general@capitalfinance.hk.

SHAREHOLDERS' RIGHTS

In accordance with the Company's bye-law 58 of the Bye-laws, the Shareholders holding at the date of deposit of the requisition not less than one-tenth of the issued share capital of the Company carrying the right of voting at special general meetings of the Company shall at all times have the right, by written requisition to the Company at the head office and principal place of business in Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in Note 18 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the performance of the Group for the year ended 31 December 2022 by operating segment is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2022 and the financial position of the Company and the Group at that date are set out in the consolidated financial statements on pages 84 to 192.

The Board did not recommend any dividends in respect of the year ended 31 December 2022 (2021: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance transparency of the Company and facilitate Shareholders and investors to make informed investment decisions in relation to the Company (the "**Dividend Policy**").

According to the Dividend Policy, the Board shall take into account, inter alia, the following factors in deciding whether to propose a dividend and in determining the dividend amount:

(i) the Group's financial results;
(ii) the financial condition of the Group;
(iii) future cash requirements and availability for business operations, business strategies and future development needs;
(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
(v) the retained earnings and distributable reserves of the Company and each of the members of the Group;
(vi) the general market conditions; and
(vii) any other factors that the Board may consider appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Act of Bermuda and the Bye-laws.

Any declaration and/or payment of future dividends under the Dividend Policy are/is subject to the Board's determination and would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time.

REPORT OF THE DIRECTORS

BUSINESS REVIEW AND COMMENTARY

Financial Results

The financial results and business review of the Group for the year ended 31 December 2022 are set out in the annual report and particular on the section of "Management Discussion and Analysis" from pages 6 to 15.

Environmental measure and performance

Since the Group's main business is short-term financing services in the PRC and Hong Kong; it does not bring about serious adverse effects on the environment. Nevertheless, the management acknowledges that being a responsible enterprise, the Group still has to take into account the impact of its business operation on the environment while enjoying financial growth.

As such, the Group has formulated its environmental measure with a focus on ensuring full compliance with applicable legislation and requirements by promoting environmental awareness among staff, disposing waste in an environmentally responsible way, and reusing and recycling materials.

In order to reduce carbon footprint across the office, the Group during the year ended 31 December 2022 encouraged employees to utilise e-statement or scanning to reduce our use of paper, switch off computers and office equipment, electrical appliances and air-conditioners when they are not in use.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 16 to 37 of this annual report.

Compliance with laws and regulations

In relation to the human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc.. The operation team of the Group in the PRC and Hong Kong also complied with the laws and regulations in the PRC and Hong Kong.

During the year ended 31 December 2022, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 16 to 37 of this annual report.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations (Continued)

Key relationships

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. We enjoy good relationships with suppliers and customers with mutual trust. The Group has adopted web-based services and customer services hotline with the aim of forming effective communication channels with our customers. By gathering customer feedbacks, the Group is able to enhance and improve the services offered to the customers, strengthen customer loyalty, and enhance market penetration and expansion. During the year ended 31 December 2022, there was no material and significant dispute between the Group and its suppliers/customers.

Employees are the valuable assets of the Group. The Group strives to motivate its employees with a clear career path and improvement of their skills by providing on-the-job training to our staff members. The systematic training programs cover areas such as managerial skills, technical knowledge, risk management, customer services, workplace ethics and other areas relevant to the industries. The Group has recorded 121.5 training hours during the year ended 31 December 2022. In addition, the Group puts efforts into providing staff with a harmonious, positive and inspiring working environment. The Group always adheres to its people-oriented concept, values and maintains their employees' legitimate rights and interests.

By providing employees with a good working environment, competitive salary and adequate trainings, employees' productivities and their performances are greatly improved.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 16 to 37 of this annual report.

Key risks and uncertainties

The main risks for the Group include interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the main risks and risk management measures are set out in Note 35 to the consolidated financial statements.

For the year ended 31 December 2022, the Group's business and earnings growth were mainly affected by the fluctuations and uncertainties in the macroeconomic situation and the amendments of laws and regulations in the PRC. Due to the economic slowdown in the PRC, the government continues to lower the lending interest rates and amend the laws and regulations. Apart from strengthening the present Beijing market, the Group will further expand its business in Hong Kong and others cities, therefore, the macroeconomic conditions of the PRC and Hong Kong, such as the GDP growth rate, the unemployment rate and the request for credit facilities may create further uncertainties on the business development of the Group. Certain mitigating measures will be performed periodically and performances will be monitored from time to time.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 193 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in Note 12 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year ended 31 December 2022 are set out in Note 14 to the consolidated financial statements. A summary of the properties held for investment is set out on page 194. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on pages 88 to 89 of this annual report and in Note 30 to the consolidated financial statements, respectively.

The Company had no distributable reserve as at 31 December 2022 (2021: Nil).

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue to the Group's five largest customers accounted for approximately 38.3% of the total revenue for the year ended 31 December 2022. The Group has no supplier for the year ended 31 December 2022.

The Group's largest customer accounted for approximately 17.1% of the total revenue for the year ended 31 December 2022.

None of the Directors, their close associates or the shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has an interest in these major customers.

STRUCTURED AGREEMENTS

A Overview

According to the laws of the PRC, foreign investors are not allowed to invest by means of equity investment in any pawn loan companies in the PRC or micro-financing companies in Beijing, as such the Company's indirect wholly-owned subsidiary, Beijing Wanchi has entered into a series of structured agreements (the "**Structured Agreements**") with Beijing City Jinfu Pawning Company Limited* ("**Beijing Jinfu**"), Beijing Jinlu Pawning Company Limited* ("**Beijing Jinlu**"), Beijing City Jinshou Pawning Company Limited* ("**Beijing Jinshou**"), Beijing City Jinxi Pawning Company Limited* ("**Beijing Jinxi**"), which was deregistered on 13 April 2022 (details of which are set out in Note 18 to the consolidated financial statements) and Beijing Zhongjinfu Micro-financing Company Limited* ("**Beijing Micro-financing**") and their respective owners, which enables the Group to:

– have power to direct the relevant activities of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing;

– exercise the voting rights of 100% equity interest of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and voting rights of 79% of equity interest of Beijing Micro-financing at the general meetings of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing respectively;

– receive and be exposed to substantially all of the economic interest returns generated by Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% of the economic interest returns generated by Beijing Micro-financing through service fees in consideration for the management and consulting services provided by Beijing Wanchi at Beijing Wanchi's discretion;

– have an irrevocable option to purchase the entire equity interest in Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% equity interest in Beijing Micro-financing with consideration each at a normal price of RMB1 when and to the extent permitted under the PRC laws; and

– obtain pledges over the entire equity interest of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% equity interest of Beijing Micro-financing from their respective owners.

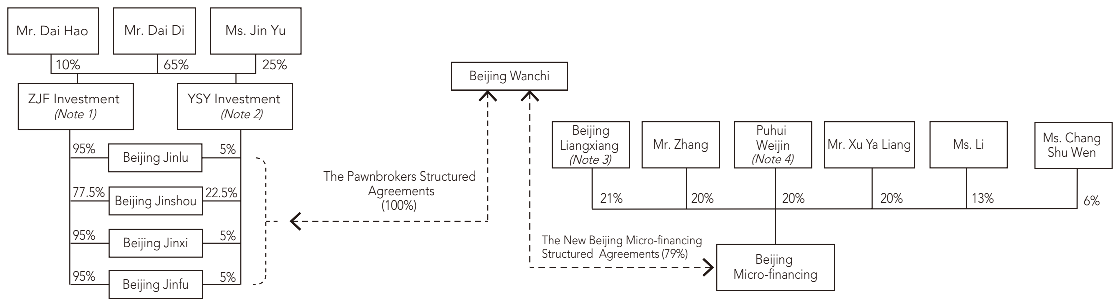
The Structured Agreements mainly included the Pawnbrokers Structured Agreements and the New Beijing Micro-financing Structured Agreements (please see the section headed "Continuing Connected Transactions" for the major terms).

* *English name is for identification purpose only*

STRUCTURED AGREEMENTS *(Continued)*

A Overview *(Continued)*

The following simplified diagram illustrates the flow of economic benefits from the Pawnbrokers and the Beijing Micro-financing to the Group stipulated under the Structured Agreements.



Note 1: 中金福(北京)投資管理有限責任公司 (Zhong Jinfu (Beijing) Investment Management Company Limited*), a company established in the PRC with limited liability ("**ZJF Investment**")

Note 2: 雲水月投資管理(北京)有限公司 (Yun Shui Yue Investment Management (Beijing) Company Limited*), a company established in the PRC with limited liability ("**YSY Investment**")

Note 3: 北京良鄉經濟開發區實業總公司 (Beijing Liangxiang Economic Development Zone Enterprise Holding Company Limited*), a company established in the PRC with limited liability and a PRC State-owned enterprise under Liangxiang Economic Development Zone ("**Beijing Liangxiang**")

Note 4: 普惠微金(北京)教育諮詢有限公司 (Puhui Weijin (Beijing) Education Consultation Company Limited*) ("**Puhui Weijin**"), a company established in the PRC with limited liability which is directly wholly-owned by ZJF Investment

* *English name is for identification purpose only*

STRUCTURED AGREEMENTS *(Continued)*

B *Significance and financial contributions to the Group*

Pursuant to the Structured Agreements, the Group obtains control over and derives the economic benefits from the Pawnbrokers and Beijing Micro-financing. The table below sets out the financial contribution of the Pawnbrokers and Beijing Micro-financing to the Group.

	Significances and financial contribution to the Group			
	Revenue For the year ended 31 December		Total assets As at 31 December	
	2022	2021	2022	2021
Pawnbrokers and Beijing Micro-financing	79%	98%	77%	74%

The table below sets out (i) revenue; and (ii) assets involved in the Pawnbrokers and Beijing Micro-Financing entities, they would be consolidated into the Group's financial statements pursuant to the Structured Agreements:

	Revenue For the year ended 31 December		Assets As at 31 December	
	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000
Pawnbrokers and Beijing Micro-financing	36,900	44,531	227,739	306,471

STRUCTURED AGREEMENTS *(Continued)*

C *Risks associated with the Structured Agreements and the actions taken to mitigate the risk*

In connection with the Structured Agreements, the Group is subject to certain risks and limitations, which are summarised below:

(1) Although the PRC legal adviser to the Company expressed the view that the Structured Agreements are in compliance with the relevant PRC laws and regulations, uncertainties exist regarding the interpretation and application of the current and future PRC laws, rules and regulations. The PRC legal adviser to the Company cannot assure that the PRC regulatory authorities will not determine that the Company's corporate structure and the Structured Agreements violate the PRC laws, rules or regulations. The PRC legal adviser to the Company also cannot rule out the possibility that there may be amendments to the Draft Foreign Investment Laws and the Note before promulgation and implementation of the New Foreign Investment Laws which may have a material adverse impact on the Group at the time when they take effect. If the PRC government determines that the Structured Agreements do not comply with the applicable laws and regulations of the PRC or Beijing Wanchi is found to be in violation of any future PRC foreign investment laws or regulation and/or any other laws or regulation, the relevant PRC regulatory authorities would have broad discretion in dealing with such violation including levying fines, confiscating the income, revoking the Pawnbrokers and Beijing Micro-financing entities' business or operating license(s), to restructure the relevant ownership structure or operations, and to dispose of all or some of its equity interest in the Pawnbrokers and Beijing Micro-financing entities. Any of these actions could cause material and adverse effect in the Group's ability to conduct business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to receive its economic benefits from the Pawnbrokers and Beijing Micro-financing entities, the Company will no longer be able to consolidate the Pawnbrokers and Beijing Micro-financing entities. In case the Company is required to dispose of all the equity interest in the Pawnbrokers and Beijing Micro-financing entities, the Company may record a substantial loss and the Company's financial condition and results of operation may be materially and adversely affected.

(2) The Structured Agreements may not be as effective in providing the Group with control and entitlement to the economic interests over the Pawnbrokers and Beijing Micro-financing as direct ownership. The Group can only look to and rely on the Pawnbrokers and Beijing Micro-financing and their respective registered shareholders to perform their contractual obligations under the Structured Agreements such that the Group can exercise effective control over the Pawnbrokers and Beijing Micro-financing. The registered shareholders of the Pawnbrokers and the Majority Shareholders (Beijing Micro-financing) may not act in the best interests of the Group or may not perform their obligations under the Structured Agreements. As such, the Group will face difficulties in effecting control over the structured entities' operation of business through Structured Agreements, which may adversely affect the Group's business efficiency.

(3) The Structured Agreements may be subject to scrutiny by the tax authorities and additional tax may be imposed. Pawnbrokers and Beijing Micro-financing entities are required to pay Beijing Wanchi management fee for the services rendered by Beijing Wanchi. Such management fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year during which such transactions are conducted.

(4) If any of the Pawnbrokers and Beijing Micro-financing entities fail to obtain the requisite licenses and approvals to continually operate its pawn loan and micro-financing business in the PRC, the Group's business and financial position may be adversely affected.

STRUCTURED AGREEMENTS *(Continued)*

C *Risks associated with the Structured Agreements and the actions taken to mitigate the risk (Continued)*

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Agreements and the Group's compliance with the Structured Agreements:

(1) Major issues arising from the implementation and compliance with the Structured Agreements of any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(2) The Board will review the overall performance and compliance with the Structured Agreements at least once a year;

(3) The Company will disclose the overall performance and compliance with the Structured Agreements in its annual reports to update the Shareholders and potential investors; and

(4) The Company will engage external legal advisors or other professional advisors, if necessary to assist the Board to review the implementation of the Structured Agreements, review the legal compliance of pawnbrokers and Beijing Micro-financing to deal with specific issues or matters arising from the Structured Agreements.

For the year ended 31 December 2022, the Board has reviewed the overall performance of the Structured Agreements and believed that the Group has complied with the Structured Agreements in all material respects.

As advised by the PRC legal advisers to the Company, the Structured Agreements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Structured Agreements and will take all necessary actions to protect the Company's interest in the Pawnbrokers and Beijing Micro-financing.

D *Material changes*

During the year ended 31 December 2022, there was no material change in the Structured Agreements and/or the circumstances under which they were adopted.

E *Unwinding of the Structured Agreements*

As of the date of this annual report, none of the Structured Agreements has been unwound as none of the restrictions that led to the adoption of Structured Agreements have been removed.

For more details of above Pawnbrokers and Beijing Micro-financing entities' particulars, business activities, and the quantitative information including revenue and assets, please refer to Note 18 to the consolidated financial statements. For more details of the Structured Agreements, please refer to the circular of the Company dated 30 May 2014 and the announcement of the Company dated 23 October 2020.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group had the following continuing connected transactions which are subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

A *Pawnbrokers Structured Agreements*

The Pawnbrokers Structured Agreements (collectively the Pawnbrokers Equity Pledge Agreements, the Pawnbrokers Exclusive Option Agreements, the Pawnbrokers Exclusive Service Agreements and the Pawnbrokers Proxy Agreements) were entered into in order to enable the Group to manage the business of the Pawnbrokers, comprising Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi in the PRC, under which all the business, financial and operating activities of Pawnbrokers are managed by Beijing Wanchi and all economic benefits and risks arising from the business, financial and operating activities of the Pawnbrokers are transferred to Beijing Wanchi by means of operation and management fees payable by Pawnbrokers to Beijing Wanchi.

(1) The Pawnbrokers Exclusive Service Agreements

Beijing Wanchi and each of the Pawnbrokers have entered into the Pawnbrokers Exclusive Service Agreements, pursuant to which, each of the Pawnbrokers agreed to engage Beijing Wanchi on an exclusive basis to provide operation and management services in connection with the business of the relevant Pawnbroker in the PRC. Each of the Pawnbrokers agreed, subject to compliance with the PRC laws and regulations, to pay to Beijing Wanchi the fees equivalent to the total profits before income tax as audited in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") after deducting all relevant costs and reasonable expenses in connection with the business operation of the relevant Pawnbroker. Beijing Wanchi has the right to decide whether the Pawnbroker concerned should continue operations and the Pawnbroker concerned should unconditionally agree to the decision made by Beijing Wanchi for such purpose.

The Pawnbrokers Exclusive Service Agreements have a term of 10 years beginning from their effective date (i.e. 1 August 2013) and shall be renewed automatically for another 10 years upon every expiration of the term unless terminated by Beijing Wanchi with a 30-day written notice to the other parties or all the equity interests in or assets of the Pawnbrokers are transferred to Beijing Wanchi and/or its nominee(s).

(2) The Pawnbrokers Exclusive Option Agreements

Beijing Wanchi, ZJF Investment, YSY Investment, Mr. Dai Di, Mr. Dai Hao and Ms. Jin Yu (collectively, the "**Dai Family**") and each of the Pawnbrokers have entered into the Pawnbrokers Exclusive Option Agreements, pursuant to which, ZJF Investment and YSY Investment irrevocably and unconditionally granted to Beijing Wanchi the exclusive rights to acquire or to nominate persons to acquire all or part of the equity interests in and/or assets of the relevant Pawnbroker at the minimum consideration as permitted by the PRC laws and regulations. Pursuant to the Pawnbrokers Exclusive Option Agreements, each of the Pawnbrokers may not, without the prior written consent of Beijing Wanchi, declare or distribute any dividends to its shareholders. The Pawnbrokers Exclusive Option Agreements became effective on 1 August 2013 and will expire on the date on which all the equity interests or assets of the Pawnbrokers are transferred to Beijing Wanchi and/or its nominee(s) pursuant to the Pawnbrokers Exclusive Option Agreements.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

A Pawnbrokers Structured Agreements *(Continued)*

(3) The Pawnbrokers Proxy Agreements

Beijing Wanchi, ZJF Investment, YSY Investment, the Dai Family and each of the Pawnbrokers have entered into the Pawnbrokers Proxy Agreements, pursuant to which, Beijing Wanchi or its nominee(s) is irrevocably and unconditionally authorised to exercise shareholders' rights in the relevant Pawnbroker.

Beijing Wanchi or its nominee(s) may exercise such shareholders' rights without the prior consultation with ZJF Investment, YSY Investment or the Dai Family. Further, ZJF Investment, YSY Investment or the Dai Family shall not exercise such shareholders' rights without the prior written consent of Beijing Wanchi.

The Pawnbrokers Proxy Agreements became effective on 1 August 2013 and will expire on the date on which all the equity interests in or assets of the Pawnbrokers are transferred to Beijing Wanchi and/or its nominee(s).

(4) The Pawnbrokers Equity Pledge Agreements

Beijing Wanchi, ZJF Investment, YSY Investment, the Dai Family and each of the Pawnbrokers have entered into the Pawnbrokers Equity Pledge Agreements, pursuant to which, the first priority security interests (the "**Pledged Pawnbrokers Equity Interests**") over the equity interests in the Pawnbrokers were granted to Beijing Wanchi for guaranteeing the performance of the Pawnbrokers Exclusive Service Agreements, the Pawnbrokers Exclusive Option Agreements and the Pawnbrokers Proxy Agreements.

The Pawnbrokers Equity Pledge Agreements provide that none of the Pledged Pawnbrokers Equity Interests may be transferred or be pledged without prior written consent of Beijing Wanchi.

The Pawnbrokers Equity Pledge Agreements became effective on 1 August 2013 and shall be terminated pursuant to its terms and conditions.

Details of Pawnbrokers Structured Agreements were disclosed in the circular of the Company dated 30 May 2014.

Each of the Pawnbrokers and Beijing Wanchi (the Company's wholly-owned subsidiary) and/or, as the case may be, ZJF Investment, YSY Investment and the Dai Family (who ceased to be substantial shareholder of the Company (as defined under the GEM Listing Rules) after the completion of rights issue in March 2021) have entered into the respective Pawnbrokers Structured Agreements. As disclosed in the circular of the Company dated 30 May 2014, the directors, chief executives or substantial shareholders of the Pawnbrokers (each of them are treated as the Company's wholly-owned subsidiaries) and their respective associates are connected persons of the Company.

In view of the fact that ZJF Investment and YSY Investment are substantial shareholders of the Pawnbrokers, which are the subsidiaries (as defined under the GEM Listing Rules) of the Company under the Pawnbrokers Structured Agreements, ZJF Investment and YSY Investment are connected persons of the Company according to Rule 20.07(1) of the GEM Listing Rules, and therefore, the transactions conducted under the Structured Agreements are continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

A *Pawnbrokers Structured Agreements (Continued)*

During the year ended 31 December 2022, Beijing Wanchi was entitled to operation and management fees from the Pawnbrokers in a manner as prescribed in the Pawnbrokers Exclusive Services Agreements on 23 December 2013. The operation and management fees payable by Pawnbrokers to Beijing Wanchi are equivalent to the total profits before income tax as audited in accordance with the HKFRSs after deducting all relevant costs and reasonable expenses in connection with the business operation of the relevant Pawnbrokers for the period from the acquisition completion date on 25 June 2014 to 31 December 2022. No dividend or other distribution had been made by the Pawnbrokers to its registered shareholders for the year ended 31 December 2022.

B *New Beijing Micro-financing Structured Agreements*

On 23 October 2020, the relevant parties have entered into the following agreements to change certain registered shareholders of Beijing Micro-financing and to terminate the existing structured agreements:

a. the equity transfer agreement, pursuant to which 北京永進基業科技孵化器有限公司 (Beijing Yongjin Jiye Technology Incubator Company Limited*) ("**Beijing Yongjin**") agreed to transfer 20% of the equity interests in Beijing Micro-financing to Mr. Zhang at a consideration of RMB10,000,000;

b. the equity transfer agreement, pursuant to which 永泰房地產(集團)有限公司 (Yongtai Real Estate (Group) Company Limited*) ("**Yongtai**") agreed to transfer 20% of the equity interests in Beijing Micro-financing to Puhui Weijin at a consideration of RMB10,000,000;

c. the equity transfer agreement, pursuant to which Mr. Wang Feng (王峰) ("**Mr. Wang**") agreed to transfer 13% of the equity interests in Beijing Micro-financing to Ms. Li at a consideration of RMB6,500,000 and 6% of the equity interests in Beijing Micro-financing to Ms. Chang Shu Wen (常淑文) ("**Ms. Chang**") at a consideration of RMB3,000,000; and

d. the termination agreements, pursuant to which Beijing Yongjin, Yongtai, Mr. Xu Ya Liang (徐亞亮) ("**Mr. Xu**") and Mr. Wang, Beijing Wanchi and Beijing Micro-financing agreed that the existing structured agreements shall be terminated upon the new structured agreements becoming effective.

* *English name is for identification purpose only*

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

B *New Beijing Micro-financing Structured Agreements (Continued)*

On the same date, and immediately after execution of the abovementioned equity transfer agreements and the termination agreements, Beijing Wanchi, Beijing Micro-financing and Mr. Zhang, Puhui Weijin, Mr. Xu, Ms. Li and Ms. Chang entered into the New Beijing Micro-financing Structured Agreements (collectively the New Beijing Micro-financing Equity Pledge Agreement, the New Beijing Micro-financing Exclusive Option Agreements, the New Beijing Micro-financing Exclusive Service Agreement and the New Beijing Micro-financing Proxy Agreement) and the undertaking to establish the new variable interest entity(ies) structure.

The New Beijing Micro-financing Structured Agreements are reproduced from the existing structured agreements and are on substantially the same terms as those currently in place under the existing structured agreements, save for the following amendments:

a. the registered shareholders of Beijing Micro-financing will be changed from the Existing Majority Registered Shareholders (as defined in the Company's announcement dated 23 October 2020) to the New Majority Registered Shareholders (as defined in the Company's announcement dated 23 October 2020), and each of the New Majority Registered Shareholders would accordingly assume all rights and obligations of the Existing Majority Registered Shareholders under the existing structured agreements, including pledging their newly obtained equity interests in Beijing Micro-financing in favor of Beijing Wanchi and completing the registration of pledge with the competent PRC governmental authorities;

b. relevant provisions are modified or inserted in observance of the requirements under the guidance letter HKEx-GL77-14 "Guidance on listed issuers using contractual arrangements for their businesses" published by the Exchange, including the dispute resolution provision which is modified to exclude the court of Cayman Islands and include the court of Bermuda as competent jurisdiction to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases; and

c. the New Beijing Micro-financing Exclusive Service Agreement shall become effective upon the completion of approval and registration of change in shareholding at the relevant PRC authorities in respect of the abovementioned equity transfer agreements, and expire on the date when all the equity interests held by the New Majority Registered Shareholders in Beijing Micro-financing (i.e. 79% of the equity interests in Beijing Micro-financing) is transferred to Beijing Wanchi and/or its nominee(s).

Upon the New Beijing Micro-financing Structured Agreements becoming effective, the Group will continue to control and manage the business and Beijing Micro-financing in the PRC, under which 79% of the business, financial and operating activities of Beijing Micro-financing are controlled and managed by Beijing Wanchi and 79% of the economic benefits and risks arising from the business, financial and operating activities and Beijing Micro-financing are transferred to Beijing Wanchi by means of operation and management fees payable by Beijing Micro-financing to Beijing Wanchi.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

B New Beijing Micro-financing Structured Agreements (Continued)

(1) New Beijing Micro-financing Exclusive Service Agreement

Beijing Wanchi, the New Majority Registered Shareholders and Beijing Micro-financing have entered into the New Beijing Micro-financing Exclusive Service Agreement, pursuant to which, the New Majority Registered Shareholders agreed to engage Beijing Wanchi on an exclusive basis to provide operation and management services in connection with the business of Beijing Micro-financing in the PRC, the New Majority Registered Shareholders agreed, subject to compliance with the PRC laws and regulations, to pay to Beijing Wanchi the fees equivalent to 79% of the total profits after income tax of Beijing Micro-financing as audited in accordance with the HKFRSs. Beijing Wanchi shall receive the economic benefits and bear the economic risks related to the 79% of the total shares of Beijing Micro-financing and may provide financial support to Beijing Micro-financing if Beijing Micro-financing encounters operational losses or difficulties. Beijing Wanchi has the right to decide whether Beijing Micro-financing should continue operations and the New Majority Registered Shareholders should unconditionally agree and procure Beijing Micro-financing to unconditionally agree to the decision made by Beijing Wanchi for such purpose.

The New Beijing Micro-financing Exclusive Service Agreement has no fixed term beginning from its effective date (i.e. 23 November 2020, being the completion date of registration of change in shareholding at the relevant PRC authorities) and will expire on the date when all the equity interests held by the New Majority Registered Shareholders in Beijing Micro-financing (i.e. 79% of the equity interests in Beijing Micro-financing) is transferred to Beijing Wanchi and/or its nominee(s).

(2) New Beijing Micro-financing Exclusive Option Agreement

Beijing Wanchi, the New Majority Registered Shareholders and Beijing Micro-financing have entered into the Beijing Micro-financing Exclusive Option Agreement, pursuant to which the New Majority Registered Shareholders irrevocably and unconditionally granted to Beijing Wanchi the exclusive right to acquire or to nominate persons to acquire all or part of 79% equity interest in Beijing Micro-financing (i) at the consideration equivalent to the then fair value of 79% equity interest in Beijing Micro-financing; or (ii) at the consideration as agreed by negotiation between Beijing Wanchi and the New Majority Registered Shareholders. Subject to compliance with the relevant PRC laws and regulations, Beijing Wanchi may exercise the options at any time and in any manner at its sole discretion. Pursuant to the New Beijing Micro-financing Exclusive Option Agreement, Beijing Micro-financing may not, without the prior written consent of Beijing Wanchi, declare or distribute any dividends to the New Majority Registered Shareholders. The New Beijing Micro-financing Exclusive Option Agreement became effective on 23 November 2020 (i.e. the completion date of registration of change in shareholding at the relevant PRC authorities) and will expire on the date when all the equity interests held by the New Majority Registered Shareholders in Beijing Micro-financing (i.e. 79% of the equity interests in Beijing Micro-financing) is transferred to Beijing Wanchi and/or its nominee(s).

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

B New Beijing Micro-financing Structured Agreements *(Continued)*

(3) New Beijing Micro-financing Proxy Agreement

Beijing Wanchi, the New Majority Registered Shareholders and Beijing Micro-financing have entered into the New Beijing Micro-financing Proxy Agreement, pursuant to which, Beijing Wanchi or its nominee(s) is irrevocably and unconditionally authorised to exercise shareholders' rights of the New Majority Registered Shareholders in Beijing Micro-financing.

Beijing Wanchi or its nominee(s) may exercise such shareholders' rights of the New Majority Registered Shareholders without the prior consultation with the New Majority Registered Shareholders. Further, the New Majority Registered Shareholders shall not exercise such shareholders' rights without the prior written consent of Beijing Wanchi.

The New Beijing Micro-financing Proxy Agreement became effective on 23 November 2020 (i.e. the completion date of registration of change in shareholding at the relevant PRC authorities) and will expire on the date when all the equity interests held by the New Majority Registered Shareholders in Beijing Micro-financing (i.e. 79% of the equity interests in Beijing Micro-financing) is transferred to Beijing Wanchi and/or its nominee(s).

(4) New Beijing Micro-financing Equity Pledge Agreement

Beijing Wanchi, the New Majority Registered Shareholders and Beijing Micro-financing have entered into the New Beijing Micro-financing Equity Pledge Agreement, pursuant to which, the first priority security interest (the "**Pledged Micro-financing Equity Interest**") over 79% equity interest in Beijing Micro-financing was granted to Beijing Wanchi for guaranteeing the performance of the New Beijing Micro-financing Exclusive Service Agreement, the New Beijing Micro-financing Exclusive Option Agreement and the New Beijing Micro-financing Proxy Agreement.

The New Beijing Micro-financing Equity Pledge Agreement provides that none of the Pledged Micro-financing Equity Interest may be transferred or be pledged without prior written consent of Beijing Wanchi.

The New Beijing Micro-financing Equity Pledge Agreement became effective on 23 November 2020 (i.e. the completion date of registration of change in shareholding at the relevant PRC authorities) and shall be terminated pursuant to its terms and conditions.

Details of the New Beijing Structured Agreements were disclosed in the circular of the Company dated 30 May 2014 and the announcement of the Company dated 23 October 2020.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

B *New Beijing Micro-financing Structured Agreements (Continued)*

Beijing Micro-financing and Beijing Wanchi, Mr. Zhang, Puhui Weijin, Mr. Xu, Ms. Li and Ms. Chang have entered into the New Beijing Micro-financing Structured Agreements. As disclosed in the announcement of the Company dated 23 October 2020, as (i) Mr. Zhang is an executive Director and a director of each of Beijing Wanchi and Beijing Micro-financing; (ii) Ms. Li is an executive Director and a director of each of Beijing Wanchi and Beijing Micro-financing; and (iii) Ms. Chang is an executive director of a subsidiary of the Company, Mr. Zhang, Ms. Li and Ms. Chang are connected persons of the Company. In addition, Puhui Weijin is a substantial shareholder of Beijing Micro-financing. Puhui Weijin is also a connected person of the Company. The transactions contemplated under the New Beijing Micro-financing Structured Agreements constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

During the year ended 31 December 2022, Beijing Wanchi did not receive any operation and management fees from Beijing Micro-financing in a manner as prescribed in the New Beijing Micro-financing Exclusive Service Agreement. No dividend or other distribution had been made by Beijing Micro-financing to its registered shareholders during the year ended 31 December 2022.

The independent non-executive Directors have reviewed the Pawnbrokers Structured Agreements and the New Beijing Micro-financing Structured Agreements and confirmed that: (1) the transactions carried out during the year ended 31 December 2022 have been entered into in accordance with the relevant provisions of the Pawnbrokers Structured Agreements and the New Beijing Micro-financing Structured Agreements and have been operated so that the total before-tax profit of the Pawnbrokers (after deducting all relevant costs and reasonable expenses in connection with their business operations) and 79% of the total profits after income tax of Beijing Micro-financing have been retained by the Group; (2) no dividends or other distributions have been made by the Pawnbrokers and Beijing Micro-financing to their respective registered shareholders which are not otherwise subsequently assigned or transferred to the Group; and (3) the transactions carried out during the year ended 31 December 2022 are fair and reasonable, are on normal commercial terms and in ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. There was no new contract or renewed contract (on the same terms as the existing Pawnbrokers Structured Agreements and the New Beijing Micro-financing Structured Agreements) entered into during the year ended 31 December 2022.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The Company's auditor was engaged to report on the continuing connected transactions entered into by the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *"Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 (Revised) *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Based on the results of the work performed, the auditor has issued an unmodified limited assurance report containing findings and conclusions in respect of the continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules in confirming that:

a. nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's board of directors;

b. nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant provisions of the Pawnbrokers Structured Agreements and the New Beijing Micro-financing Structured Agreements and have been operated so that the total before-tax profit of the Pawnbrokers (as defined in the Company's circular dated 30 May 2014) (after deducting all relevant costs and reasonable expenses in connection with their business operations) and 79% of the total profits after income tax of Beijing Micro-financing (as defined in the Company's announcement dated 23 October 2020), respectively, have been retained by the Group; and

c. nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the Pawnbrokers and Beijing Micro-financing to their respective registered shareholders which are not otherwise subsequently assigned or transferred to the Group.

The Company confirmed that the disclosure requirements for the continuing connected transactions have been complied in accordance with Chapter 20 of the GEM Listing Rules.

EQUITY-LINKED AGREEMENTS

Other than (i) the Structured Agreements as disclosed above and (ii) the share option scheme of the Company set out in Note 31 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2022.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

Executive Directors
Mr. Zhang Wei *(Chairman and CEO)* Ms. Li Wei

Independent Non-executive Directors
Mr. Chen Yihua Mr. Lee Zak Yuen Mr. Chan Ngai Fan

In accordance with bye-law 83(2) of the Bye-laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the forthcoming annual general meeting of the Company (the "**AGM**") and, being eligible, offer herself, for re-election at the forthcoming AGM.

In accordance with bye-law 84(1) of the Bye-laws, one-third of the Directors for the time being shall retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

According to code provision B.2.3 of the CG Code, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the Shareholders. Mr. Chen Yihua had been appointed as the independent non-executive Director since 2 July 2012, and has served the Company as the independent non-executive Director for more than nine years. The reasons why the Board believes he is still independent and shall be re-elected would be included in the papers to the Shareholders accompanying the condition for his re-election.

The Directors' biographical details are set out on pages 38 to 39.

CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the interim report for the six months ended 30 June 2022 of the Company, the changes in the Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

Name of Director(s)	Details of Changes
Ms. Li Wei	resigned as the executive director of China Vered Financial Holding Corporation Limited (stock code: 245) on 5 December 2022

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals of the Group are set out in Note 8 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Yihua, Mr. Lee Zak Yuen and Mr. Chan Ngai Fan, the independent non-executive Directors have each entered into an appointment letter with the Company for a term of one year subject to retirement by rotation and re-election at the general meeting in accordance with the Bye-laws and may be terminated by not less than one month prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letters.

Mr. Zhang Wei and Ms. Li Wei, the executive Directors, have each entered into an appointment letter with the Company for a term of three years, commencing on 1 December 2022 till 30 November 2025 and 21 September 2022 till 20 September 2025 respectively, subject to retirement by rotation and re-election at the general meeting in accordance with the Bye-laws and may be terminated by not less than one month prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letters.

None of the Directors who are proposed for re-election at the AGM has an appointment letter with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**"), which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in the Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the issued share of the Company (Note)
Mr. Zhang Wei	Beneficial owner	127,377,920	10.96%
Ms. Li Wei	Beneficial owner	72,652,800	6.25%

Note: The percentage represents the number of shares interested divided by the number of the issued shares as at 31 December 2022 (i.e. 1,161,829,233 shares).

Save for disclosed above, as at 31 December 2022, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SHARE OPTIONS

Particulars of the share option scheme adopted on 2 August 2012 and expired on 2 August 2022 (the "**Share Option Scheme**") are set out in Note 31 to the consolidated financial statements.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2022 and there was no share option outstanding as at 31 December 2022. As at the date of this annual report, no share is available for issuance under the Share Option Scheme and no share option is available to be granted under the Share Option Scheme.

Apart from the Share Option Scheme, the Group have no other share schemes under Chapter 23 of the GEM Listing Rules during the year ended 31 December 2022 and as at the date of this annual report.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

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

The register of substantial shareholders of the Company pursuant to Section 336 of the SFO showed that, as at 31 December 2022, the following companies and persons had interests in more than 5% of the Company's issued share capital:

Long Positions in the Shares

	Number of shares interested			
Name of substantial shareholder	**Direct interests**	**Deemed interests**	**Total interests**	**Percentage of the issued share of the Company** (Note 5)
Exuberant Global Limited (Note 1)	2,656,700,000	–	2,656,700,000	228.66%
Mr. Dai Di (Note 1)		2,656,700,000	2,656,700,000	228.66%
Bustling Capital Limited (Note 2)	876,680,000	–	876,680,000	75.45%
Ms. Jin Yu (Note 2)	–	876,680,000	876,680,000	75.45%
Mr. Dai Hao (Notes 2 and 3)	–	876,680,000	876,680,000	75.45%
Ms. Yip Sze Pui Fione (Note 4)	155,330,000	–	155,330,000	13.36%
Mr. Hui Kwan Wah Hugo (Note 4)	155,330,000	–	155,330,000	13.36%
Mr. Mang Sheung Lok	150,000,000	–	150,000,000	12.91%

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long Positions in the Shares (Continued)

Notes:

1. The 2,656,700,000 shares held by Exuberant Global Limited ("**Exuberant Global**") represent 2,656,700,000 shares to be issued upon full conversion of the convertible bonds. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 2,656,700,000 shares held by Exuberant Global.

2. The 876,680,000 shares held by Bustling Capital Limited ("**Bustling Capital**") represent (i) 10,000,000 shares and (ii) 866,680,000 shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 876,680,000 shares.

3. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 876,680,000 shares held by Bustling Capital.

4. The 155,330,000 shares are jointly held by Ms. Yip Sze Pui Fione and Mr. Hui Kwan Wah Hugo.

5. The percentage represents the number of shares interested divided by the number of the issued shares as at 31 December 2022 (i.e. 1,161,829,233 shares).

Save as disclosed above, the Directors are not aware of any person who, as at 31 December 2022, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken during the year ended 31 December 2022 are provided under Note 33 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as aforesaid, no contracts of significance, to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 December 2022.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the Bye-laws, a director of the Company shall be indemnified and secured harmless out of assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred by the Director of the Company.

Such permitted indemnity provision has been in force since the adoption of the amended and restated Bye-laws on 5 March 2012 and is currently in force at the time of approval of this annual report. The Company has also taken out and maintained directors' and officers' liability insurance throughout the year ended 31 December 2022, which provides appropriate cover for certain legal actions brought against its directors and officers.

REPORT OF THE DIRECTORS

INTERESTS IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates (as defined in the GEM Listing Rules) had engaged in any business that compete or may compete either directly or indirectly with the business of the Group, or have any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 54.

RETIREMENT BENEFIT PLANS

Other than operating the statutory mandatory provident fund scheme for Hong Kong employees and participating in social insurance for its employees in the PRC in accordance with the relevant PRC regulations, the Group has not operated any other retirement benefits schemes for the Group's employees.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this annual report, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 December 2022.

AUDITOR

The consolidated financial statements of the Group for the years ended 31 December 2020, 2021 and 2022 have been audited by Mazars, who shall retire, and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Zhang Wei
Chairman
Hong Kong, 21 March 2023

INDEPENDENT AUDITOR'S REPORT

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
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To the members of
Capital Finance Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Capital Finance Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 84 to 192, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of 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 financial position of the Group as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**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 is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

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 for the year ended 31 December 2022. 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.

Key audit matter	How our audit addressed the key audit matter
Loss allowance for loans to customers (Refer to Notes 4, 22 and 35 to the consolidated financial statements)	
As at 31 December 2022, the Group had loans to customers of approximately HK$148,655,000 (net of loss allowance for expected credit loss ("**ECL**") of approximately HK$109,964,000), which represented approximately 50.4% of the Group's total assets. Management performed credit evaluations for the Group's customers and assessed ECL for loans to customers. These assessments focused on the customers' settlement record and their current repayment ability, the value of collateral and also took into account information specific to respective customer as well as pertaining to the economic environment in which the customer operated. Most of these assessments involved significant judgements of the management. We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the subjective judgements were made by the management over assessing the credit standing of the Group's customers and therefore the estimation for ECL of loans to customers.	Our key procedures, among others, included: (a) obtaining an understanding of the Group's credit risk management and practices and assessing the Group's impairment provisioning policy in accordance with the requirements of HKFRS 9 "Financial Instruments"; (b) assessing the Group's internal control procedures regarding the origination, ongoing internal credit quality assessments, recording and monitoring of loans to customers; (c) assessing the application of impairment methodology of ECL, and checking the assumptions and parameters to external data sources where available, on a sample basis; (d) assessing and challenging the reasonableness in the measurement of ECL individually and/or collectively and also the management's forecast of future repayments and assessment on current financial conditions of the customers, based on historical experience, value of collaterals (if any) and observable external data, etc., and developing a reasonable range of expected cash shortfall for comparison with the Group's assessment, on a sample basis; (e) testing, on a sample basis, the accuracy of ageing categories of loans to customers based on relevant pawn tickets, loan agreements and services contracts; (f) assessing the effectiveness and marketability of certain collaterals, including considering the legal rights of the Group, the fair values of collaterals and timing required for converting collaterals into cash in the case of default, on a sample basis; (g) assessing the reasonableness and relevancy of the external information used by the Group as the forward looking information including economic data and forecasts published by government bodies and monetary authorities; and (h) checking the accuracy of the calculation of ECL based on the methodology adopted by the Group and the adequacy of the Group's disclosures in relation to credit risk exposed by the Group in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Determination whether the Group has control over subsidiaries governed under structured agreements (the "Relevant Entities") and 北京華園四方資產管理有限公司 (Beijing Huayuan Sifang Asset Management Company Limited*) ("Beijing Huayuan Sifang") governed under equity transfer agreement (Refer to Notes 4 and 18 to the consolidated financial statements)	
The Group, through its indirect wholly-owned subsidiaries, entered into series of structured agreements (the "**Structured Agreements**") and an equity transfer agreement (the "**Equity Transfer Agreement** ") in the People's Republic of China (the "**PRC**") with the Relevant Entities and Beijing Huayuan Sifang and the legal owners of the Relevant Entities and Beijing Huayuan Sifang, respectively. The Group, through the Structured Agreements and Equity Transfer Agreement, has exposure and rights to variable returns from its involvement with the Relevant Entities and Beijing Huayuan Sifang and has ability to affect those returns through its power over the Relevant Entities and Beijing Huayuan Sifang. Therefore, the Group is considered to have control over the Relevant Entities and Beijing Huayuan Sifang. In determining the extent of the Group's involvement with and control over the Relevant Entities and Beijing Huayuan Sifang, the management considers a number of factors including whether the Group has: (1) exercised effective financial and operational control over the Relevant Entities and Beijing Huayuan Sifang; (2) exercised equity holders' voting rights of the Relevant Entities and Beijing Huayuan Sifang; (3) received substantially all of the economic interest returns generated by the Relevant Entities and Beijing Huayuan Sifang in accordance with the amount of equity interest held by the Group and/or the Structured Agreements; (4) obtained an irrevocable and exclusive right to purchase the entire equity interest in the Relevant Entities from the respective equity holders; and (5) obtained a pledge over the entire equity interest of the Relevant Entities from their respective equity holders under the Structured Agreements, as appropriate. We have identified the above matter as a key audit matter because the Relevant Entities and Beijing Huayuan Sifang are material to the Group and the determination of whether the Group has power to control over the Relevant Entities and Beijing Huayuan Sifang involves a significant degree of management judgement.	Our key audit procedures, among others, included: (a) evaluating the terms in the Structured Agreements and Equity Transfer Agreement in connection with the Group's control over the Relevant Entities and Beijing Huayuan Sifang; (b) understanding how the Group controls the daily business operation and financing activities of the Relevant Entities and Beijing Huayuan Sifang; (c) evaluating the management's assessment in relation to the control over the Relevant Entities and Beijing Huayuan Sifang according to HKFRS 10 "Consolidated Financial Statements"; (d) assessing the dividends or other distribution, if any, have been made by the Relevant Entities to their legal owners which are subsequently assigned or transferred to the Group; (e) obtaining an updated legal opinion from the Company's PRC legal counsel regarding whether the Structured Agreements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable; and (f) evaluating the Company's PRC legal counsel's competence, capabilities and objectivity.

* *English name is for identification purpose only*

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2022 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 the 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 21 March 2023

The engagement director on the audit resulting in this independent auditor's report is:
She Shing Pang
Practising Certificate number: P05510

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**46,483**	45,376
Other income and other gains and losses, net	6	**9,097**	2,983
Administrative and other expenses		**(35,767)**	(38,479)
(Charge)/Reversal of loss allowance for expected credit loss ("**ECL**") on loans to customers	22	**(6,081)**	25,642
Fair value losses on investment properties	14	**(1,095)**	(156)
Fair value (losses)/gains on financial assets at fair value through profit or loss ("**FVTPL**")	21	**(8,562)**	5,670
Write-off of financial assets at FVTPL	21	**—**	(4,763)
Write-off of repossessed assets	20	**—**	(2,288)
Gain on extinguishment of bond payables and liability component of convertible bonds	27	**26,944**	—
Cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary	18(d)	**(1,201)**	—
Loss on disposal of a subsidiary	32	**—**	(2,284)
Share of loss of a joint venture	17	**(5,425)**	(549)
Finance costs	7	**(25,678)**	(39,565)
Loss before income tax	7	**(1,285)**	(8,413)
Income tax expenses	9	**(2,996)**	(15,624)
Loss for the year		**(4,281)**	(24,037)
Loss for the year attributable to:			
Owners of the Company		**(7,626)**	(19,017)
Non-controlling interests	18	**3,345**	(5,020)
		(4,281)	(24,037)
			(Restated)
Loss per share attributable to owners of the Company			
Basic and diluted (Hong Kong cents)	11	**(15.01)**	(51.64)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Loss for the year		**(4,281)**	(24,037)
Other comprehensive (expense)/income for the year			
Item that will not be reclassified to profit or loss:			
— Changes in fair value of equity investment at fair value through other comprehensive income ("**FVTOCI**")	19	**—**	2,937
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of share of other comprehensive (expense)/income of a joint venture	17	**(268)**	99
— Exchange differences on translation of financial statements of foreign operations		**(26,817)**	13,469
Item that has been reclassified to profit or loss:			
— Reclassification on exchange reserve upon disposal of a subsidiary	32	**—**	2,674
— Reclassification on exchange reserve upon deregistration of a subsidiary	18(d)	**1,201**	—
Other comprehensive (expense)/income for the year, net of tax		**(25,884)**	19,179
Total comprehensive expense for the year		**(30,165)**	(4,858)
Total comprehensive expense attributable to:			
Owners of the Company		**(30,194)**	(1,303)
Non-controlling interests		**29**	(3,555)
		(30,165)	(4,858)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	12	**1,344**	1,804
Right-of-use assets	13	**5,218**	5,607
Investment properties	14	**5,240**	6,824
Intangible assets	15	**—**	—
Goodwill	16	**—**	—
Investment in a joint venture	17	**—**	5,702
Deferred tax assets	28	**27,571**	28,635
		39,373	48,572
Current assets			
Repossessed assets	20	**—**	—
Financial assets at FVTPL	21	**575**	5,626
Loans to customers	22	**148,655**	247,252
Prepayments, deposits and other receivables	23	**1,099**	10,572
Cash and cash equivalents	24	**105,158**	95,905
		255,487	359,355
Equity investment at FVTOCI classified as held for sale	19	**—**	8,576
		255,487	367,931
Current liabilities			
Accrued expenses, other payables and deposits received		**9,745**	9,739
Tax payables		**1,370**	2,078
Amount due to a director	25	**2,160**	—
Convertible bonds — liability component	27	**50,588**	99,731
Lease liabilities	13	**1,508**	1,639
		65,371	113,187
Net current assets		**190,116**	254,744
Total assets less current liabilities		**229,489**	303,316

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Convertible bonds — liability component	27	**124,399**	181,467
Lease liabilities	13	**3,775**	3,985
		128,174	185,452
Net assets		**101,315**	117,864
Capital and reserves			
Issued capital	29	**58,091**	50,591
Reserves	30	**2,159**	24,305
Amounts recognised in other comprehensive income and accumulated in equity relating to equity investment at FVTOCI held for sale	19	**—**	106
Equity attributable to owners of the Company		**60,250**	75,002
Non-controlling interests	18	**41,065**	42,862
Total equity		**101,315**	117,864

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 March 2023 and signed on its behalf by

Zhang Wei	**Li Wei**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Issued capital HK$'000 (Note 29)	Share premium HK$'000 (Note 30(i))	Contributed surplus HK$'000 (Note 30(ii))	Capital reserve HK$'000 (Note 30(ii))	Exchange reserve HK$'000 (Note 30(iii))	Convertible bonds reserve HK$'000 (Note 30(iv))	FVTOCI reserve HK$'000 (Note 30(v))	Statutory reserve HK$'000 (Note 30(vi))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2021	14,064	625,385	131,109	282,885	(61,632)	9,282	(2,831)	26,838	(1,046,088)	(20,988)	47,007	26,019
Loss for the year	—	—	—	—	—	—	—	—	(19,017)	(19,017)	(5,020)	(24,037)
Other comprehensive income												
Item that will not be reclassified to profit or loss:												
Changes in fair value of equity investment at FVTOCI (Note 19)	—	—	—	—	—	—	2,937	—	—	2,937	—	2,937
Items that may be reclassified subsequently to profit or loss:												
Exchange differences on translation of												
— share of other comprehensive income of a joint venture (Note 17)	—	—	—	—	99	—	—	—	—	99	—	99
— financial statements of foreign operations	—	—	—	—	12,004	—	—	—	—	12,004	1,465	13,469
Item that has been reclassified to profit or loss:												
Reclassification on exchange reserve upon disposal of a subsidiary (Note 32)	—	—	—	—	2,674	—	—	—	—	2,674	—	2,674
Other comprehensive income for the year	—	—	—	—	14,777	—	2,937	—	—	17,714	1,465	19,179
Total comprehensive expense for the year	—	—	—	—	14,777	—	2,937	—	(19,017)	(1,303)	(3,555)	(4,858)
Transfer to statutory reserve	—	—	—	—	—	—	—	2,143	(2,143)	—	—	—
Transfer upon disposal of a subsidiary	—	—	—	—	—	—	—	(3,096)	3,096	—	—	—
Transactions with owners												
Issue of new shares upon rights issue (Note 29)	28,127	43,955	—	—	—	—	—	—	—	72,082	—	72,082
Issue of new shares upon placing (Note 29)	8,400	16,813	—	—	—	—	—	—	—	25,213	—	25,213
Dividends declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(590)	(590)
Deemed capital contribution arising from liability portion of convertible bonds (Note 27)	—	—	—	4,002	—	—	—	—	—	4,002	—	4,002
Redemption of 2022 CB by cash (Note 27)	—	—	—	—	—	(3,235)	—	—	(769)	(4,004)	—	(4,004)
Transactions with owners	36,527	60,768	—	4,002	—	(3,235)	—	—	(769)	97,293	(590)	96,703
As at 31 December 2021	50,591	686,153	131,109	286,887	(46,855)	6,047	106	25,885	(1,064,921)	75,002	42,862	117,864

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Issued capital HK$'000 (Note 29)	Share premium HK$'000 (Note 30(i))	Contributed surplus HK$'000 (Note 30(ii))	Capital reserve HK$'000 (Note 30(ii))	Exchange reserve HK$'000 (Note 30(iii))	Convertible bonds reserve HK$'000 (Note 30(iv))	FVTOCI reserve HK$'000 (Note 30(v))	Statutory reserve HK$'000 (Note 30(vi))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2022	50,591	686,153	131,109	286,887	(46,855)	6,047	106	25,885	(1,064,921)	75,002	42,862	117,864
Loss for the year	–	–	–	–	–	–	–	–	(7,626)	(7,626)	3,345	(4,281)
Other comprehensive (expense)/income												
Items that may be reclassified subsequently to profit or loss:												
Exchange differences on translation of												
— share of other comprehensive expense of a joint venture (Note 17)	–	–	–	–	(268)	–	–	–	–	(268)	–	(268)
— financial statements of foreign operations	–	–	–	–	(23,501)	–	–	–	–	(23,501)	(3,316)	(26,817)
Item that has been reclassified to profit or loss:												
Reclassification on exchange reserve upon deregistration of a subsidiary (Note 18(d))	–	–	–	–	1,201	–	–	–	–	1,201	–	1,201
Other comprehensive expense for the year	–	–	–	–	(22,568)	–	–	–	–	(22,568)	(3,316)	(25,884)
Total comprehensive expense for the year	–	–	–	–	(22,568)	–	–	–	(7,626)	(30,194)	29	(30,165)
Transfer to statutory reserve	–	–	–	–	–	–	–	1,541	(1,541)	–	–	–
Transfer upon deregistration of a subsidiary	–	–	–	–	–	–	–	(4,495)	4,495	–	–	–
Transfer upon disposal of equity investment at FVTOCI	–	–	–	–	–	–	(106)	–	106	–	–	–
Transactions with owners												
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,826)	(1,826)
Deemed capital contribution arising from liability portion of convertible bonds (Note 27)	–	–	–	4,742	–	–	–	–	–	4,742	–	4,742
Deemed capital contribution arising from bond payables (Note 27)	–	–	–	13,006	–	–	–	–	–	13,006	–	13,006
Transferred to accumulated losses upon mature of 2022 CB (Note 27)	–	–	–	–	–	(1,713)	–	–	1,713	–	–	–
Extinguishment of 2023 CB (Note 27)	–	–	–	–	–	(4,141)	–	–	4,141	–	–	–
Recognition of New 2022 CB and New 2023 CB (Note 27)	–	–	–	–	–	33,357	–	–	(33,357)	–	–	–
Redemption of 2023 CB by cash (Note 27)	–	–	–	–	–	(193)	–	–	(52)	(245)	–	(245)
Redemption of New 2022 CB and New 2023 CB by cash (Note 27)	–	–	–	–	–	(10,239)	–	–	1,084	(9,155)	–	(9,155)
Conversion of New 2022 CB (Note 27)	7,500	619	–	–	–	(1,025)	–	–	–	7,094	–	7,094
Transactions with owners	7,500	619	–	17,748	–	16,046	–	–	(26,471)	15,442	(1,826)	13,616
As at 31 December 2022	58,091	686,772	131,109	304,635	(69,423)	22,093	–	22,931	(1,095,958)	60,250	41,065	101,315

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Loss before income tax		**(1,285)**	(8,413)
Cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary	18(d)	**1,201**	—
Loss on disposal of a subsidiary	32	**—**	2,284
Share of loss of a joint venture	17	**5,425**	549
Bank interest income	6	**(1,512)**	(2,159)
Interest expenses	7	**25,678**	39,565
Loss on disposal of property, plant and equipment	6	**—**	24
Loss on early termination of a lease	13	**—**	54
Charge/(Reversal) of loss allowance for ECL on loans to customers	22	**6,081**	(25,642)
Fair value losses on investment properties	14	**1,095**	156
Fair value losses/(gains) on financial assets at FVTPL	21	**8,562**	(5,670)
Write-off of financial assets at FVTPL	21	**—**	4,763
Write-off of repossessed assets	20	**—**	2,288
Loss on redemption of financial assets at FVTPL	21	**—**	296
Gain on early redemption of convertible bonds	27	**(5,190)**	(126)
Gain on extinguishment of bond payables and liability component of convertible bonds	36	**(26,944)**	—
Depreciation of property, plant and equipment	12	**421**	535
Depreciation of right-of-use assets	13	**1,552**	1,754
Exchange differences		**(1,619)**	318
		13,465	10,576
Changes in working capital:			
Loans to customers		**76,015**	31,359
Prepayments, deposits and other receivables		**1,624**	115
Accrued expenses, other payables and deposits received		**749**	299
Cash generated from operations		**91,853**	42,349
Interest received		**1,512**	2,159
Income tax paid		**(4,661)**	(7,499)
Net cash generated from operating activities		**88,704**	37,009

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Investing activities			
Purchase of property, plant and equipment	12	**(88)**	(137)
Purchase of financial assets at FVTPL	21	**(3,511)**	(9,679)
Proceeds from redemption of financial assets at FVTPL	21	**—**	14,665
Proceeds from disposal of financial assets at FVTPL	23	**7,073**	—
Proceeds from disposal of equity investment at FVTOCI	19	**8,456**	—
Net cash inflow on disposal of a subsidiary	32	**—**	9,782
Acquisition of investment in a joint venture	17	**—**	(6,017)
Advance to a joint venture	17	**(1)**	(132)
Net cash generated from investing activities		**11,929**	8,482
Financing activities			
Issue of new shares upon rights issue	29(b)	**—**	75,945
Issue of new shares upon placing	29(c)	**—**	26,040
Payment for transaction costs attributed to issue of shares			
— Upon rights issue	29(b)	**—**	(3,863)
— Upon placing	29(c)	**—**	(827)
Repayment of promissory notes	26	**—**	(5,000)
Interest on promissory notes	26	**—**	(443)
Repayment of 2022 CB	27	**—**	(180,823)
Repayment of 2023 CB	27	**(8,000)**	—
Repayment of New 2022 CB	27	**(35,496)**	—
Repayment of New 2023 CB	27	**(40,626)**	—
Advance from a director		**2,160**	—
Dividends paid to non-controlling interests		**(1,826)**	(1,180)
Repayment for lease liabilities		**(1,692)**	(1,856)
Net cash used in financing activities		**(85,480)**	(92,007)
Net increase/(decrease) in cash and cash equivalents		**15,153**	(46,516)
Cash and cash equivalents at beginning of the year		**95,905**	139,193
Effect of foreign exchange rate changes, net		**(5,900)**	3,228
Cash and cash equivalents at end of the year		**105,158**	95,905
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	24	**105,158**	95,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

Capital Finance Holdings Limited (the "**Company**") was previously incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Company is principally engaged in investment holding. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the provision of short-term financing services in the People's Republic of China (the "**PRC**") and Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise stated.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in Note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

The adoption of the amendment does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendment does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendment does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendment does not have any significant impact on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs (Continued)

Annual Improvements Project — 2018–2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent — i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	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)
HKFRS 17	Insurance Contracts (1)
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information (1)
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (2)
Amendments to HKAS 1	Non-current Liabilities with Covenants (2)
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (2)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)

(1) Effective for annual periods beginning on or after 1 January 2023
(2) Effective for annual periods beginning on or after 1 January 2024
(3) The effective date to be determined

The directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for investment properties, equity investment at FVTOCI and financial assets at FVTPL which were stated at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

(a) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the events of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation (Continued)

(b) Business combinations *(Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 3 "Business Combinations" and HKFRS 9 "Financial Instruments" in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra group transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset, in which case the loss is recognised in the profit or loss. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation (Continued)

(e) Separate financial statements

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in a joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired joint venture. Such goodwill is included in investment in a joint venture. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

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

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

For the goodwill arising on an acquisition in a reporting period, each units or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at not higher than operating segment level. When the recoverable amount of the CGUs is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The management of the Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

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

The cost of an item of property, plant and equipment includes its purchase price and any directly attributable to the costs of bringing the asset to its working condition and location for its intended use.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	5 years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 to 10 years

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment (Continued)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are land and/or building that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent professional valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (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 item is derecognised.

Intangible assets (other than goodwill)

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 with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis.

Impairment assessments for intangible assess are set out in the accounting policy "Impairment of non-current assets excluding goodwill" below.

Financial instruments

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

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

(a) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

The Group assesses the classification and measurement of a financial asset based on the contractual cash flows characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**").

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefor the business model assessment is performed at a higher level of aggregate rather than on instrument-by-instrument basis.

The Group's business models for managing its financial instrument reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(a) Financial assets *(Continued)*

The Group considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called "worse case" or "stress case" scenarios. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within the business model are evaluated and reported to the entity's key management personnel; and

- the risks that affect the performance of the business model and, in particular, the way in which these risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period.

Debt instruments at amortised cost
All recognised financial assets are measured at amortised cost on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instrument that meet the following conditions are subsequently measured at amortised cost:

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

- the contractual terms give rise on specified dates to cash flows that are SPPI.

Financial assets at amortised cost subsequently measured using the effective interest method are subject to the impairment.

Debt investment measured at FVTOCI
Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

- the contractual terms give rise on specified dates to cash flows that are SPPI.

Financial assets measured at FVTPL
All other financial assets are subsequently measured at FVTPL, except at the date of initial application of HKFRS 9 that initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(a) Financial assets *(Continued)*

Financial assets measured at FVTPL (Continued)

A financial asset is classified as held for trading if:

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

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

Equity investments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity investments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in profit or loss in the "other income" line item.

Effective interest method

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting period, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(a) Financial assets *(Continued)*

Effective interest method (Continued)

Interest income which are derived from the Group's ordinary course of business are recognised in profit or loss and included in the "Revenue" line item. Foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

*Loss allowance under expected credit loss ("**ECL**") model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loans to customers, deposits and other receivables and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group recognises lifetime ECL for the loans to customers (as all have contractual maturity of not more than one year) and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances or an a collective basis for debtors fulfilling certain criteria as set out below.

For other financial assets including deposits and other receivables and cash and cash equivalents, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in this likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial assets being credit-impaired at the reporting date or an actual default occurring.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(a) Financial assets *(Continued)*

*Loss allowance under expected credit loss ("**ECL**") model (Continued)*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, government bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(a) Financial assets *(Continued)*

*Loss allowance under expected credit loss ("**ECL**") model (Continued)*

Definition of default

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

Irrespective of the above, the Group considers that default has occurred when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

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

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

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both quantitative and qualitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event — instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(a) Financial assets *(Continued)*

*Loss allowance under expected credit loss ("**ECL**") model (Continued)*

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure of default, for financial assets, these are represented by the assets gross carrying amount at the reporting date.

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

Lifetime ECL is the ECL that resulted from all possible default events over the expected life of financial assets.

Where lifetime ECL is measured on a collective basis or cater for cases where evidence of significant increase in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the credit risk characteristics basis:

- Nature of financial instruments (i.e. the Group's loans to customers, deposits and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Measurement and recognition of ECL (Continued)

ECL on the financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the current reporting date.

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss but is transferred to accumulated losses.

(b) Financial liabilities and equity

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

Equity instruments

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(b) Financial liabilities and equity *(Continued)*

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

The Group classifies its financial liabilities at initial recognition, as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities including accrued expenses and other payables, dividends payable to non-controlling interests and promissory notes are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(b) Financial liabilities and equity *(Continued)*

Derecognition of financial liabilities (Continued)

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

(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.

Convertible bonds

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished on conversion or redemption.

The conversion option classified as equity is determined by deducting the amount of liability component from the fair value of the compound instrument as a whole on initial recognition. That is recognised and included in the equity, net of income tax effects (if any), and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to issued capital, share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its financial instruments at fair value at the end of reporting period. Fair value is the price that will be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value if an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 will use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1:	Based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3:	Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Repossessed assets

Collateral assets for loans to customers are repossessed by the Group when the borrowers are unable to service their repayments, and would be realised in satisfaction of outstanding debts.

Repossessed assets are initially recognised at the lower of the fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession (the Group has obtained the legal title and control of the repossessed collateral assets), and the related loans together with the related impairment allowances are derecognised from the consolidated statement of financial position. Subsequently, repossessed assets are measured at cost less impairment. The difference between the net proceeds and the carrying amount of the repossessed asset is subsequently recognised as gain or loss upon disposal of the asset.

Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits at banks with original maturity less than three months, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specially, the Group uses a 5-step approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligation in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to the performance obligation in the contract
Step 5:	Recognised revenue when (or as) the entity satisfies a performance obligation

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 *(Continued)*

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

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

(b) the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

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

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

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

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

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

Financial consultancy income

The Group provides customised financial consultancy services to its customers. The Group designs financing structures and solutions based on the credit portfolios of its customers, seeks the most optimal source of funding to its customer and matches its customers with the financial institution. Revenue from providing services is recognised in the reporting period in which the services are rendered. Revenue is recognised progressively over time using the input method based on the proportion of the actual staff costs incurred relative to the estimated total staff costs because the Group believes that it was an enforcement right to be paid for work done to date if the customer to cancel the service agreement before the consulting services was fully completed, after taking into account the contract terms and the relevant laws and regulations in the PRC.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 *(Continued)*

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its consultancy service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. The costs to obtain contracts are capitalised if they are incremental and recoverable, except to the extent that the practical expedient in paragraph 94 of HKFRS 15 is applied. The capitalised costs are amortised on a straight-line basis over the term of the specific existing and anticipated contracts to which the costs relate. The Group applies the practical expedient in HKFRS 15 and recognises the incremental costs as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is within the same annual reporting period.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue from other sources

Interest income

Interest income from financial asset is recognised as revenue in profit or loss over the terms of the contracts using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's gross carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the credit loss.

Settlement gain from distressed debt assets

It represents settlement gain arising on distressed debt assets classified in loans to customers.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions entered into by each of the group entities in currencies other than the currency of the primary economic environment in which it operates (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting the consolidated financial statements, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the 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 is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-current assets excluding goodwill

At the end of reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with definite useful lives and investment in a joint venture to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGUs to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or CGUs) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGUs) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided over the shorter of the lease term and the estimated useful lives of the buildings.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee *(Continued)*

The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee *(Continued)*

A lease modification is accounted for as a separate lease if:

(a) the modification increase the scope of the lease by adding the right to use or more underlying assets; and

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

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021 and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 "Leases" if the change were not a lease modification.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee *(Continued)*

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessor — finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. The Group applies the derecognition and impairment requirements in HKFRS 9 to the net investment in the lease.

The Group accounts for a modification to a finance lease as a separate lease if both:

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

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

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group:

   (i) accounts for the lease modification as a new lease from the effective date of the modification; and

   (ii) measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification.

(b) otherwise, the Group applies the requirements of HKFRS 9.

As lessor — operating lease

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short term employee benefits

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

Pension scheme contributions

A pension scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of pension scheme are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature. The Group participates in the pension scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "**MPF Scheme**") which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes (the "**PRC Retirement Scheme**") operated by the relevant local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The Group has no further payment obligations once the contribution has been made.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 key management personnel of the Group or the Company's holding company.

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

(i) the entity and the Group are members of the same group (which means that each holding company, 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 the employees of 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 key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel service to the Group or to the Company's holding company.

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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.

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, are described below.

Key sources of estimation uncertainty

(a) Loss allowance for ECL of loans to customers

The Group's management estimates the loss allowance based on an ECL model. The loss allowance for ECL on the loans to customers are probability weighted average of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the loans to customers. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECL or material reversal of ECL may arise, accordingly.

(b) Estimation of current tax and deferred tax

The Group is subject to income tax in jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the recognition of deferred tax assets also subjected to significant judgement and estimation on future available taxable profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

(c) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including the sales transactions for similar properties on less active market in the same location and condition adjusted to reflect those differences in key valuation attributes that reflect current market assessments of the uncertainty in the amount. The directors of the Company work closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model.

(d) Fair value of financial assets at FVTPL

As disclosed in Note 21 to the consolidated financial statements, the financial assets, other than listed equity investment traded in active market, are related to the unlisted investment in trust funds established by non-banking financial institutions in the PRC and equity interests in a private entity incorporated in the PRC and the fair values as at the end of the reporting period were determined with reference to discounted cash flow valuation method and adjusted net asset value.

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow valuation model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(e) Impairment of non-current assets excluding goodwill

The Group assesses whether there are any impairment for non-current assets excluding goodwill at the end of each reporting period in accordance with the accounting policies as disclosed in Note 3 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

(f) Impairment of investment in a joint venture

The Group assesses annually if investment in a joint venture disclosed in Note 17 to the consolidated financial statement has suffered any impairment in accordance with HKAS 36 "Impairment of Assets" and follows the guidance of HKFRS 9 in determining whether amount due from the joint venture is impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of the joint venture would affect the estimation of impairment loss and cause the adjustment of its carrying amounts.

Critical accounting judgements

(a) Subsidiaries governed under structured agreements and equity transfer agreement

When preparing the consolidated financial statements, the management applied HKFRS 10 to determine whether the Group has "control" over the entities considered to be subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, has the power to direct the relevant activities of the entity, and has the ability to affect those returns through its power over the entity. Key factors used in determining control and whether the entities are subsidiaries include whether the Group has power over the entities either through voting rights or structured agreements and equity transfer agreement and whether it has the rights to obtain the majority of benefits or is exposed to the majority of ownership risks.

When the above factors are met, the management determines that the Group has control over the entities and include them as subsidiaries in the Group's consolidated financial statements. For the entities where the Group holds no equity interest but are subject to structured agreements and equity transfer agreement, significant judgements are necessary as to whether the contracts give the Group the ability to exercise control over those entities, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure, etc..

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical accounting judgements (Continued)

(a) Subsidiaries governed under structured agreements and equity transfer agreement *(Continued)*

(i) Subsidiaries governed under structured agreements

Under the current practice, foreign investors are not allowed to invest by means of equity investment in any pawn loan companies in the PRC or micro-financing companies in Beijing, as such the Company's indirect wholly-owned subsidiary, 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*, "**Beijing Wanchi**"), has entered into a series of structured agreements (the "**Structured Agreements**") with 北京市金福典當有限責任公司 (Beijing City Jinfu Pawning Company Limited*, "**Beijing Jinfu**"), 北京金祿典當有限責任公司 (Beijing Jinlu Pawning Company Limited*, "**Beijing Jinlu**"), 北京市金壽典當有限責任公司 (Beijing City Jinshou Pawning Company Limited*, "**Beijing Jinshou**"), 北京市金禧典當有限責任公司 (Beijing City Jinxi Pawning Company Limited*, "**Beijing Jinxi**") which was deregistered on 13 April 2022, 北京中金福小額貸款有限責任公司 (Beijing Zhongjinfu Micro-financing Company Limited*, "**Beijing Micro-financing**") and their respective owners, which enables the Group to:

— have power to direct the relevant activities of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing;

— exercise the entire owners' voting rights of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi (up to the date of deregistration) and 79% owners' voting rights of Beijing Micro-financing during the general meetings of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing respectively;

— receive and be exposed to substantially all of the economic interest returns generated by Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi (up to the date of deregistration) and 79% of the economic interest returns generated by Beijing Micro-financing through service fees in consideration for the management and consulting services provided by Beijing Wanchi at Beijing Wanchi's discretion;

— have an irrevocable option to purchase the entire equity interest in Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi (up to the date of deregistration) and 79% equity interest in Beijing Micro-financing with consideration each at a normal price of Renminbi ("**RMB**") 1 when and to the extent permitted under the PRC laws; and

— obtain pledges over the entire equity interest of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi (up to the date of deregistration) and 79% equity interest of Beijing Micro-financing from their respective owners.

The Group does not have any equity interest in Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing. However, as a result of the Structured Agreements, the Group has rights to variable returns from its involvement with Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing and has the ability to affect these returns (e.g. in form of service fees charged) through its power over Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing and is considered to control Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing. Consequently, the Group regards Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi (up to the date of deregistration) and Beijing Micro-financing as indirectly-owned subsidiaries under HKFRSs.

* *English name is for identification purpose only*

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical accounting judgements (Continued)

(a) Subsidiaries governed under structured agreements and equity transfer agreement *(Continued)*

(i) Subsidiaries governed under structured agreements (Continued)

Nevertheless, the Structured Agreements may not be as effective as legal ownership in providing the Group with control over the consolidated entities and business, and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the consolidated entities and business. Having considered the changes in the relevant PRC laws and regulations since the execution of the Structured Arrangements, the management believes that the Structured Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(ii) Subsidiary governed under equity transfer agreement

The Group entered into an equity transfer agreement ("**Equity Transfer Agreement**") with the legal owners of 北京華園四方資產管理有限公司 (Beijing Huayuan Sifang Asset Management Company Limited*) ("**Beijing Huayuan Sifang**") to appoint the board of the directors of Beijing Huayuan Sifang and other key management personnel of Beijing Huayuan Sifang and to control Beijing Huayuan Sifang's operation by making all significant strategic financial and operating decisions of Beijing Huayuan Sifang of which the operation is highly dependent on the Group (including control the bank accounts, direct the strategic financial and operating activities, etc.).

The Group has 50% equity interest in Beijing Huayuan Sifang. However, as a result of the Equity Transfer Agreement, the Group has obtained control over Beijing Huayuan Sifang because the Group is exposed, or has rights, to variable returns from its involvement with Beijing Huayuan Sifang and has the ability to affect those returns through its power over Beijing Huayuan Sifang. Consequently, the Group regards Beijing Huayuan Sifang as non wholly-owned subsidiary of the Group.

(b) Classification of a joint venture

As disclosed in Note 17 to the consolidated financial statements, the Group invested in 宣威瑞草生物科技有限公司 (Xuan Wei Rui Cao Biological Technology Company Limited*) ("**Xuan Wei**") during the year ended 31 December 2021. The Group has 25% equity interest in Xuan Wei and certain strategic financial and operating decisions in relation to Xuan Wei's operation require the unanimous consent of all board members appointed by all the investors of Xuan Wei. As a result, the Group has obtained the joint control over Xuan Wei and right to the net assets of Xuan Wei. Accordingly, the investment in Xuan Wei is classified as a joint venture of the Group and accounted for using equity method.

* *English name is for identification purpose only*

5. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of short-term financing services to the customers. As this is the only operating segment of the Group, no further analysis for segment information is presented.

In determining the Group's geographical segments and revenues are based on the location in which the customers are located; assets and capital expenditure are attributed to the segments based on the locations of the assets.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. The Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than investment in a joint venture, financial instruments and deferred tax assets ("**Specified non-current assets**"):

	Revenue from external customers Year ended 31 December		Specified non-current assets As at 31 December	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**1,519**	860
The PRC	**46,483**	45,376	**10,283**	13,375
	46,483	45,376	**11,802**	14,235

The customer base in short-term financing services segment is diversified. There is one customer (2021: one) individually contributed a settlement gain from distressed debt assets classified in loans to customers of approximately HK$7,963,000 (2021: an interest income from loans to customers of approximately HK$6,722,000) which represents 10% or more of the Group's revenue for the year ended 31 December 2022.

6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES, NET

The Group's revenue represents the short-term financing services income. An analysis of the Group's revenue, other income and other gains and losses, net is as follows:

	Notes	2022 HK$'000	2021 HK$'000
Revenue			
Revenue from other sources			
Interest income from loans to customers		**36,900**	44,531
Settlement gain from distressed debt assets classified in loans to customers		**9,392**	114
		46,292	44,645
Revenue from contracts with customers within HKFRS 15			
Financial consultancy income (Note (i))		**191**	731
Short-term financing services income		**46,483**	45,376
Other income and other gains and losses, net			
Bank interest income		**1,512**	2,159
Gain on early redemption of convertible bonds	27	**5,190**	126
Gain on disposal of repossessed assets		**6**	—
Government grants (Note (ii))		**150**	—
Loss on early termination of a lease	13	**—**	(54)
Loss on disposal of property, plant and equipment		**—**	(24)
Loss on redemption of financial assets at FVTPL	21	**—**	(296)
Recovery of bad debts previously written off (Note (iii))		**2,088**	—
Rental income from investment properties		**—**	50
Sundry income		**151**	1,022
		9,097	2,983

Notes:

(i) The revenue from contracts with customers within HKFRS 15 for financial consultancy income generated by the Group was recognised over time during the years ended 31 December 2022 and 2021.

(ii) During the year ended 31 December 2022, the Group had recognised government grants of approximately HK$150,000 which is the funding support from the Employment Support Scheme ("**ESS**") under the Anti-epidemic Funds set up by the Hong Kong Special Administrative Region Government. The purpose of the ESS is to provide financial support to employers to retain employees who may otherwise be made redundant. Under the terms of the grant, the Group was required not to implement redundancies during the subsidy period and to spend all the funding on payment of wages to its employees.

(iii) The amount represented the recovery of bad debts relating to loans to customers written off in previous years during the year ended 31 December 2022.

7. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting) the following:

	Notes	2022 HK$'000	2021 HK$'000
Finance costs			
Effective interest expenses on			
— convertible bonds	27	25,485	39,226
— promissory notes	26	—	109
— lease liabilities		193	230
		25,678	39,565
Other items			
Staff costs (excluding directors' emoluments) (Note)			
Salaries, bonuses, allowances and other benefits		17,606	15,848
Pension scheme contributions		1,757	1,632
		19,363	17,480
Auditor's remuneration			
— Audit services		793	791
— Non-audit services		250	238
Depreciation of property, plant and equipment	12	421	535
Depreciation of right-of-use assets	13	1,552	1,754
Exchange difference, net		638	(640)
Short-term or low value lease payments		1,577	1,760

Note:

For the years ended 31 December 2022 and 2021, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the MPF Scheme and the PRC Retirement Scheme.

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Directors' and chief executive's emoluments

The aggregate amounts of emoluments received and receivable by the directors and chief executive of the Company in connection with the management of the affairs of the Company and its subsidiaries are as follows:

Year ended 31 December 2022

Name of directors	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Zhang Wei (Note 1)	1,509	542	437	162	2,650
Ms. Li Wei (Note 2)	690	1,356	—	145	2,191
Independent non-executive directors					
Mr. Chen Yihua	120	—	—	—	120
Mr. Lee Zak Yuen	120	—	—	—	120
Mr. Chan Ngai Fan (appointed on 1 January 2022)	144	—	—	—	144
	2,583	1,898	437	307	5,225

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT *(Continued)*

(a) *Directors' and chief executive's emoluments (Continued)*

Year ended 31 December 2021

Name of directors	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Zhang Wei (Note 1)	2,100	528	900	156	3,684
Ms. Li Wei (Note 2)	1,992	1,369	—	261	3,622
Non-executive director					
Mr. Zang Wei (resigned on 1 April 2021)	25	—	—	—	25
Independent non-executive directors					
Mr. Chen Yihua	200	—	—	—	200
Mr. Du Hui (resigned on 1 April 2021)	45	—	—	—	45
Mr. Lee Zak Yuen (appointed on 1 April 2021)	90	—	—	—	90
Mr. Wong Wing Kuen Albert (resigned on 1 January 2022)	180	—	—	—	180
	4,632	1,897	900	417	7,846

Notes:

1. Mr. Zhang Wei is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

2. Ms. Li Wei was also the Deputy Chief Executive Officer of the Company until 17 December 2021 and her emoluments disclosed above include those services rendered by her as the Deputy Chief Executive Officer during the period from 1 January 2021 to 17 December 2021.

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT *(Continued)*

(b) *Five highest paid individuals*

Of the five highest paid individuals in the Group, two (2021: two) individuals were directors of the Company and whose emoluments are set out in Note 8(a) to the consolidated financial statements above. The emoluments of the remaining three (2021: three) non-director individuals, are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, bonuses, allowances and other benefits	**2,684**	2,999
Pension scheme contributions	**106**	176
	2,790	3,175

The number of the highest paid individuals (excluding the directors of the Company) whose remuneration fell within the following band is as follows:

	Number of individuals **2022**	2021
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	2

There was no arrangement under which any of the directors or the three highest paid individuals waived or agreed to waive any remuneration during the year ended 31 December 2022 (2021: Nil). In addition, no emolument was paid by the Group to the any of the directors or the three highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2021: Nil).

9. INCOME TAX EXPENSES

	2022 HK$'000	2021 HK$'000
Current income tax		
Hong Kong		
Current tax charge for the year	—	87
The PRC		
Current tax charge for the year	3,980	6,330
Under-provision in respect of prior years	171	187
	4,151	6,517
Withholding tax on dividends	—	1,811
Deferred tax (credited)/charged (Note 28)	(1,155)	7,209
Income tax expenses	2,996	15,624

The Company is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which entities in the Group domiciled and operated.

Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax under these jurisdictions.

For the year ended 31 December 2022, no provision for Hong Kong Profits Tax has been provided as the Group had no assessable profits arising in Hong Kong.

For the year ended 31 December 2021, the assessable profits on the Company's estimated assessable profits arising from Hong Kong is subject to the two-tiered profits tax regime that the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% and assessable profits above HK$2 million will be taxed at 16.5% under Hong Kong Profits Tax. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

9. INCOME TAX EXPENSES *(Continued)*

The subsidiaries of the Group established in the PRC, save for below, are subject to enterprise income tax ("**EIT**") of the PRC at 25% (2021: 25%).

Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, 拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited*, "**Lhasa Jiade**"), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the year ended 31 December 2021.

According to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in the years ended 31 December 2022 and 2021 of certain subsidiaries of the Group established in the PRC were less than RMB3 million, which satisfies the provisions of the notice above. During the years ended 31 December 2022 and 2021, the part of taxable income that is not in excess of RMB1 million is reduced to 12.5% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 25% (2021: 50%) of original total taxable income, and the applicable EIT rate is 20%.

Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 10% (2021: 10%).

The income tax expenses for the year can be reconciled to the accounting loss before income tax per the consolidated income statement as follows:

	2022 **HK$'000**	2021 HK$'000
Loss before income tax	**(1,285)**	(8,413)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**1,039**	1,888
Tax effect on income not taxable for tax purpose	**(5,880)**	(154)
Tax effect on expenses not deductible for tax purpose	**8,461**	11,399
Tax concession	**(687)**	(34)
Unrecognised tax losses	**—**	2,059
Utilisation of previously unrecognised tax losses	**(108)**	(1,532)
Under-provision in respect of prior years	**171**	187
Withholding tax on dividends	**—**	1,811
Income tax expenses for the year	**2,996**	15,624

10. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2022 (2021: Nil). The directors of the Company do not recommend for payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

* *English name is for identification purpose only*

11. LOSS PER SHARE

The calculation of basic loss per share for the current year and prior year is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year are set forth below.

The calculation of diluted loss per share for the year is based on the loss for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation of diluted loss per share is the number of ordinary shares in issue during the year and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2022, as the Company's outstanding convertible bonds had an anti-dilutive (2021: anti-dilutive) effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share for the year ended 31 December 2022 are equal (2021: equal).

The calculations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2022 HK$'000	2021 HK$'000
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations	(7,626)	(19,017)

	Number of shares 2022 '000	 2021 '000 (Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculations (Notes a and b)	50,797	36,828

Notes:

(a) The weighted average number of ordinary shares of 50,796,941 for the year ended 31 December 2022 is derived from 1,011,829,233 in issue as at 1 January 2022, after taking into account the effects of the (i) conversion of New 2022 CB (as defined in Note 27) into 150,000,000 new ordinary shares of the Company (Note 29(d)); and (ii) the Share Consolidation under Capital Reorganisation (as defined in Note 38) completed on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 January 2021.

(b) The weighted average number of ordinary shares of 36,827,561 (Restated) for the year ended 31 December 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 after taking into account the effects of (i) issue of shares upon rights issue completed on 15 March 2021 (Note 29(b)); (ii) placing of shares under general mandate completed on 20 December 2021 (Note 29(c)); and (iii) the Share Consolidation under Capital Reorganisation (as defined in Note 38) completed on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 January 2021.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 January 2021	506	2,804	1,453	4,763
Additions	—	137	—	137
Disposal/Written off	—	(124)	(237)	(361)
Disposal of a subsidiary	—	(4)	—	(4)
Exchange realignments	—	71	44	115
As at 31 December 2021 and 1 January 2022	**506**	**2,884**	**1,260**	**4,650**
Additions	**—**	**88**	**—**	**88**
Exchange realignments	**—**	**(175)**	**(96)**	**(271)**
As at 31 December 2022	**506**	**2,797**	**1,164**	**4,467**
Accumulated depreciation				
As at 1 January 2021	506	1,588	505	2,599
Disposal/Written off	—	(112)	(225)	(337)
Disposal of a subsidiary	—	(4)	—	(4)
Charge for the year	—	297	238	535
Exchange realignments	—	37	16	53
As at 31 December 2021 and 1 January 2022	**506**	**1,806**	**534**	**2,846**
Charge for the year	**—**	**236**	**185**	**421**
Exchange realignments	**—**	**(98)**	**(46)**	**(144)**
As at 31 December 2022	**506**	**1,944**	**673**	**3,123**
Net carrying amount				
As at 31 December 2022	**—**	**853**	**491**	**1,344**
As at 31 December 2021	—	1,078	726	1,804

13. LEASES

Right-of-use assets	Buildings HK$'000
Reconciliation of carrying amount	
As at 1 January 2021	5,700
Additions	1,810
Early termination of a lease	(292)
Depreciation	(1,754)
Exchange realignments	143
As at 31 December 2021 and 1 January 2022	**5,607**
Additions	**1,506**
Depreciation	**(1,552)**
Exchange realignments	**(343)**
As at 31 December 2022	**5,218**

Right-of-use assets	Buildings HK$'000
As at 31 December 2022	
Cost	**9,804**
Accumulated depreciation	**(4,586)**
Net carrying amount	**5,218**
As at 31 December 2021	
Cost	8,759
Accumulated depreciation	(3,152)
Net carrying amount	5,607

13. LEASES *(Continued)*

Lease liabilities	**2022** **HK$'000**	2021 HK$'000
Current portion	**1,508**	1,639
Non-current portion	**3,775**	3,985
	5,283	5,624

The Group leases various office premises and staff quarters for its daily operations and the lease terms ranging from 2 to 16 years (2021: from 2 to 16 years). The total cash outflow for leases was approximately HK3,269,000, including prepayment for short-term lease of approximately HK$1,577,000, for the year ended 31 December 2022 (2021: total cash outflow for leases was approximately HK$3,616,000 including prepayment for short-term leases of approximately HK$1,760,000).

During the year ended 31 December 2021, the Group had early terminated a lease for office premise located in the PRC which resulted in a loss on termination of lease of approximately HK$54,000 recognised in the profit or loss.

As at 31 December 2022, the weighted average effective interest rate for the lease liabilities of the Group was 3.59% per annum (2021: 3.52%).

COVID-19-related rent concessions

During the year ended 31 December 2022, the Group was entitled to six months rent-free period from January 2022 to June 2022 in respect of a lease in the PRC. There was no substantive change to other terms and conditions of the leases.

The amount recognised in profit or loss during the year ended 31 December 2022 to reflect changes in lease payments that arise from rent concessions to which the Group had applied the practical expedient for COVID-19-related rent concessions beyond 30 June 2021 provided in Amendments to HKFRS 16 was approximately HK$111,000 (2021: Nil).

13. LEASES *(Continued)*

Commitments and present value of lease liabilities as at 31 December 2022:

Lease liabilities	**Lease payments HK$'000**	**Present value of lease payments HK$'000**
Amounts payable:		
Within one year	**1,533**	**1,508**
In the second to fifth years inclusive	**2,752**	**2,541**
Over five years	**1,771**	**1,234**
	6,056	**5,283**
Less: future finance charges	**(773)**	**—**
Total lease liabilities	**5,283**	**5,283**

Commitments and present value of lease liabilities as at 31 December 2021:

Lease liabilities	Lease payments HK$'000	Present value of lease payments HK$'000
Amounts payable:		
Within one year	1,663	1,639
In the second to fifth years inclusive	2,796	2,496
Over five years	2,187	1,489
	6,646	5,624
Less: future finance charges	(1,022)	—
Total lease liabilities	5,624	5,624

14. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At fair value		
At the beginning of the reporting period	**6,824**	6,759
Changes in fair value	**(1,095)**	(156)
Exchange realignments	**(489)**	221
At the end of the reporting period	**5,240**	6,824

The Group's entire property interests were held under leases to earn rentals income or for capital appreciation which were measured using fair value model and were classified and accounted for as investment properties. The Group's investment properties were located in the PRC.

The investment properties of the Group were revalued on 31 December 2022 and 2021 by Valtech Valuation Advisory Limited, an independent professional valuer. The valuations of investment properties have been arrived by adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition adjusted for differences in key valuation attributes, such as size and floor, were used to value the properties. The most significant input into this valuation approach is the price per square meter. A significant increase/decrease in the estimated price per square meter will result in a significant increase/decrease in the fair value of the investment properties.

None of the Group's investment properties measured at fair value are categorised as level 1 and level 2. The Group's investment properties are categorised as level 3.

The following table shows the significant unobservable inputs used in the valuation model.

Assets	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Investment properties located in the PRC	Level 3	Direct comparison approach	Adjusted market price per square meter at RMB17,860/sq.m. (equivalent to HK$20,212/ sq.m.) (2021: RMB21,466/ sq.m (equivalent to HK$26,301/sq.m.))	10% (2021: 10%)	The higher adjusted market price, the higher fair value of the investment properties, and vice versa	Increase/Decrease 10% (2021:10%) result in increase/decrease in fair value by approximately HK$520,000/HK$520,000 (2021: HK$680,000/ HK$680,000)

The fair value measurement is based on the above asset's highest and best use, which does not differ from their actual use.

15.INTANGIBLE ASSETS

	Pawn Licences HK$'000
Cost	
As at 1 January 2021	158,262
Exchange realignments	5,258
As at 31 December 2021 and 1 January 2022	**163,520**
Exchange realignments	**(12,479)**
As at 31 December 2022	**151,041**
Accumulated impairment losses	
As at 1 January 2021	158,262
Exchange realignments	5,258
As at 31 December 2021 and 1 January 2022	**163,520**
Exchange realignments	**(12,479)**
As at 31 December 2022	**151,041**
Net carrying amount	
As at 31 December 2022	**—**
As at 31 December 2021	—

Pawn Licences

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), arising from the short-term financing business acquired by the Group in prior years. The directors of the Company were of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and had the ability to do so. Therefore, the Pawn Licenses were considered by the directors of the Company as having an indefinite useful life.

The impairment assessment of the Pawn Licences was included in the impairment assessment of the Short-term Financing CGU (as defined in Note 16) that includes goodwill. As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, the directors of the Company concluded that, assessed together with goodwill (Note 16), should be fully impaired.

16. GOODWILL

	Short-term Financing CGU HK$'000
Cost	
As at 1 January 2021	667,400
Exchange realignments	22,175
As at 31 December 2021 and 1 January 2022	**689,575**
Exchange realignments	**(52,624)**
As at 31 December 2022	**636,951**
Accumulated impairment losses	
As at 1 January 2021	667,400
Exchange realignments	22,175
As at 31 December 2021 and 1 January 2022	**689,575**
Exchange realignments	**(52,624)**
As at 31 December 2022	**636,951**
Net carrying amount	
As at 31 December 2022	**—**
As at 31 December 2021	—

Goodwill arising in prior years related to the acquisitions of equity interests in Prima Finance Holdings Limited ("**Prima Finance**") and Sunny Bridge Investments Limited ("**Sunny Bridge**") and its subsidiaries and was allocated to the short-term financing CGU ("**Short-term Financing CGU**").

Goodwill acquired through business combinations in prior years had been allocated to the Short-term Financing CGU for impairment test.

As at 31 December 2016, in light of unfavourable operating environment and keen competition of the short-term financing industry, including the relatively lower interest rate environment in the PRC and increasing number of competitors, that were expected to have a negative impact on the future cash flows that could be generated by the Short-term Financing CGU, the directors of the Company had re-estimated the cash flows that could be generated from the Short-term Financing CGU. Based on the fair value less costs of disposal estimated using the revised cash flow projections and using the income approach, the directors of the Company concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU had been fully impaired.

17. INVESTMENT IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Unlisted shares, at cost	**6,017**	6,017
Share of post acquisition reserves	**(5,784)**	(559)
Amount due from a joint venture (Note)	**126**	135
Exchange realignments	**(359)**	109
	—	5,702

Note:

The amount due from a joint venture is denominated in RMB, unsecured, interest-free and the settlement of which is neither planned nor likely to occur in the foreseeable future.

Details of the joint venture as at 31 December 2022 and 2021 are as follows:

Name of the joint venture	Place of establishment	Particulars of paid-up capital	Proportion of value of paid-up capital indirectly held by the Company	Principal activities
Xuan Wei	The PRC	Paid-up capital of RMB12,500,000	25%	Plant extract production, bio-organic fertilizer and biopesticide research and development which the production is ceased during the year ended 31 December 2022.

The above joint venture is accounted for using the equity method in the Group's consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the joint venture itself.

On 14 May 2021, an indirectly wholly-owned subsidiary of the Company, 北京通和盛嘉科技有限公司 Beijing Tonghe Shengjia Technology Company Limited* ("**Beijing Tonghe**") had entered into an equity transfer agreement (the "**JV Equity Transfer Agreement**") with an independent third party for the acquisition of 25% equity interest in Xuan Wei. The aggregate cash consideration was RMB5,000,001 (equivalent to approximately HK$6,017,000) which would be satisfied by cash of RMB1 and cash capital injection of RMB5,000,000. The acquisition was completed on 14 May 2021.

Arrangements with joint venture partners

Pursuant to JV Equity Transfer Agreement, each of Beijing Tonghe, the first joint venture partner and the second joint venture partner is entitled to appoint 2, 1 and 1, respectively, out of 4 board members of Xuan Wei. Because certain strategic financial and operating decisions in relation to Xuan Wei's operation require the unanimous consent of all board members, Beijing Tonghe, the first joint venture partner and the second joint venture partner are considered to have joint control of Xuan Wei under the arrangements and Xuan Wei is being regarded as a joint venture of Beijing Tonghe.

* *English name is for identification purpose only.*

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

Relationship with the joint venture

Xuan Wei is engaged in the plant extract production, bio-organic fertilizer and biopesticide research and development in the PRC which allows the Group to enter green production, technological innovation and agricultural industry in the PRC and diversify the income stream and business risks. Amid the tough business environment in the PRC under the prolong impact of the outbreak of COVID-19 pandemic, Xuan Wei was still able to expand its business scale and increase its revenue during the year ended 31 December 2022 as compared to that for the year ended 31 December 2021, driven by the increase of the demand in electronic cigarettes.

Goodwill and impairment assessment

Goodwill arising related to the acquisition of Xuan Wei which is measured as the excess of cost of investments over the Group's share of the net fair value of the identifiable assets and liabilities of Xuan Wei as at the acquisition date (i.e. 14 May 2021).

The Group carried out an impairment assessment for the interests in Xuan Wei as at 31 December 2021. In a view that Xuan Wei was in set-up stage until it commenced its operation since December 2021, the management expected that Xuan Wei is able to generate economic benefits in the foreseeable futures. Accordingly, goodwill was not impaired for the year ended 31 December 2021.

In May 2022, the China's State Tobacco Monopoly Administration (the "**STMA**") implemented the Measures for the Administration of Electronic Cigarettes (the "**New Measures**"), which posed adverse effect on the business operation of Xuan Wei. The New Measures has imposed certain new requirements and conditions on the manufacturing of nicotine for electronic cigarettes that all the manufacturers of nicotine for electronic cigarettes are required to obtain tobacco monopoly production enterprise licenses issued by the STMA in order to continue the production and operation of nicotine for electronic cigarettes.

In response to the New Measures, Xuan Wei had to cease its current production, upgrade its machinery and equipment as well as enhance the production process in order to cope with the impact from the New Measures. As at 31 December 2022, Xuan Wei has yet to obtain the tobacco monopoly production enterprise license. In view of (i) the information currently available, the management of Xuan Wei is unable to anticipate as to when Xuan Wei will obtain the tobacco monopoly production enterprise license from the STMA; (ii) the current machinery and production lines are difficult to transform for other production purpose and there is limited second-hand market for them to be sold or repurposed; (iii) the latest financial position of Xuan Wei and the existing financial resources available to Xuan Wei; and (iv) the business environment and the financial position of Xuan Wei have been adversely impacted and become significantly uncertain as a result of the implementation of the New Measures, the management of Xuan Wei makes the provision for impairment on certain assets of Xuan Wei. Considering the significant changes at Xuan Wei, the management of the Group will closely monitor the future development of Xuan Wei.

Financial information of an individual material joint venture

Summarised financial information of the joint venture of the Group, which is considered to be material, is set out below, which represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	Xuan Wei As at 31 December	
	2022	2021
	HK$'000	HK$'000
Gross amount		
Current assets	**11,511**	23,769
Non-current assets	**406**	6,264
Current liabilities	**(14,470)**	(8,490)
Net (liabilities)/assets	**(2,553)**	21,543
Included in above:		
Cash and cash equivalents	**2**	692

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

Financial information of an individual material joint venture (Continued)

	Xuan Wei As at 31 December	
	2022	2021
	HK$'000	HK$'000
Reconciliation		
Gross amount of equity	**(2,553)**	21,543
Group's ownership interests	**25%**	25%
Group's share of equity (Note)	**(293)**	5,386
Goodwill	**167**	181
Share of net liabilities by amount due from a joint venture	**126**	—
Carrying amount of interests	**—**	5,567
	2022	2021
Year ended 31 December (since acquisition)	**HK$'000**	HK$'000
Gross amount		
Revenue	**4,306**	585
Loss for the year/period	**(23,024)**	(2,198)
Other comprehensive (expense)/income	**(1,072)**	399
Loss and total comprehensive expense for the year/period	**(24,096)**	(1,799)
Group's share of (Note):		
Loss for the year/period	**(5,425)**	(549)
Other comprehensive (expense)/income	**(268)**	99
Loss and total comprehensive expense for the year/period	**(5,693)**	(450)
Included in above:		
Depreciation	**(69)**	(50)
Interest income	**1**	2

Note:

The Group has stopped recognising its share of loss of a joint venture for the year ended 31 December 2022 (2021: Nil) as the share of loss of a joint venture was excess of the amount of interest in a joint venture.

Unrecognised share of loss of a joint venture

The unrecognised share of loss of a joint venture for the current year and cumulatively up to the end of the reporting period amounted to approximately HK$332,000 (2021: Nil) and approximately HK$332,000 (2021: Nil), respectively.

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

Particulars of the Company's subsidiaries which are all private companies with limited liability as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Country/place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital/ paid-up capital	Percentage of equity attributable to the Company 2022	2021
Directly held:					
Fortune Front Holdings Limited	BVI	Investment holding, Hong Kong	United States dollars ("**US$**") $1	**100%**	100%
Capital Finance Innovative Technology Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Star Capital Global Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
UTD Fortune Holdings Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Sunny Bridge	BVI	Investment holding, Hong Kong	US$100	**100%**	100%
Indirectly held:					
Capital Finance Innovative Technology (Hong Kong) Limited	Hong Kong	Not yet commenced business, Hong Kong	HK$100	**100%**	100%
United Tone Investments Limited	BVI	Investment holding, Hong Kong	US$100	**100%**	100%
Fortune Front Investments Limited	Hong Kong	Provision of financing consultancy services, Hong Kong	HK$100	**100%**	100%
UTD Fortune (Hong Kong) Limited	Hong Kong	Provision of money lending services (to be commenced) and investment holding, Hong Kong	HK$1	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital/ paid-up capital	Percentage of equity attributable to the Company 2022	2021
Indirectly held: *(Continued)*					
Prima Finance	Cayman Islands	Investment holding, Hong Kong	2022: Nil 2021: Note (a)	**N/A**	Note (a)
Century Epoch Holdings Limited	Hong Kong	Investment holding, Hong Kong	HK$100	**100%**	100%
United Tone Investments (Hong Kong) Limited	Hong Kong	Investment holding, Hong Kong	HK$100	**100%**	100%
Beijing Tonghe	The PRC	Not yet commenced business, the PRC	Note (b)	**100%**	100%
Beijing Wanchi	The PRC	Provision of entrusted loan and financial consultancy service, the PRC	Paid-up capital of HK$3,000,000	**100%**	100%
Lhasa Jiade	The PRC	Provision of entrusted loan and financial consultancy service, the PRC	2022: Nil 2021: Note (c)	**N/A**	Note (c)
Beijing Jinfu#	The PRC	Provision of pawn loan services in Beijing, the PRC	Paid-up capital of RMB40,000,000	**100%**	100%
Beijing Jinlu#	The PRC	Provision of pawn loan services in Beijing, the PRC	Paid-up capital of RMB15,000,000	**100%**	100%
Beijing Jinshou#	The PRC	Provision of pawn loan services in Beijing, the PRC	Paid-up capital of RMB40,000,000	**100%**	100%
Beijing Jinxi#	The PRC	Provision of pawn loan services in Beijing, the PRC	2022: Nil 2021: Note (d)	**N/A**	100%

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(Continued)

Name of subsidiary	Country/place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital/ paid-up capital	Percentage of equity attributable to the Company 2022	2021
Indirectly held: *(Continued)*					
Beijing Micro-financing#	The PRC	Provision of micro-financing services, the PRC	Paid-up capital of RMB50,000,000	**79%**	79%
北京佳昭創智科技有限公司 Beijing Fortune Front Innovative Technology Company Limited* ("**Beijing Fortune Front**")	The PRC	Investment holding, the PRC	Note (e)	**100%**	100%
Beijing Huayuan Sifang	The PRC	Provision of distressed debt assets management and provision of consultancy services, the PRC	Paid-up capital of RMB60,000,000	**50%** Note (f)	50% Note (f)

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(Continued)

Notes:

(a) On 31 March 2021, Prima Finance had been strike-off from the Companies Register of the Cayman Islands. Prima Finance had no assets and liabilities upon the strike-off.

(b) Beijing Tonghe was established on 17 July 2020 and its registered capital amounted to HK$30,000,000. As at 31 December 2022 and 2021, no registered capital of Beijing Tonghe has been paid-up. As at 31 December 2022 and 2021, the Group had contracted but not provided capital commitment of HK$30,000,000 in respect of investment in Beijing Tonghe.

(c) On 31 December 2021, Lhasa Jiade has been disposed to an independent third party as detailed in Note 32 to the consolidated financial statements.

(d) During the year ended 31 December 2021, Beijing Jinxi had filed an application for deregistration to the local authority. All assets and liabilities of Beijing Jinxi were either transferred to the fellow subsidiaries or written-off during the year ended 31 December 2021. In the opinion of the management, the Group retained its control over Beijing Jinxi and has the rights to obtain the majority benefits or is exposed to the majority of ownership risks under the Structure Agreements, upon the completion of deregistration of Beijing Jinxi. On 13 April 2022, the deregistration was completed and the derecognition of exchange reserve and statutory reserve upon deregistration of approximately HK$1,201,000 and approximately HK$4,495,000 was reclassified to profit or loss and accumulated losses, respectively.

(e) Beijing Fortune Front was established on 3 December 2019 and its registered capital amount to HK$10,000,000. As at 31 December 2022 and 2021, no registered capital of Beijing Fortune Front has been paid-up. As at 31 December 2022 and 2021, the Group had contracted but not provided capital commitment of HK$10,000,000 in respect of investment in Beijing Fortune Front.

(f) Notwithstanding the Group held only 50% equity interest in Beijing Huayuan Sifang, due to the fact that there is an equity transfer agreement entered into for the Group to appoint the board of the directors of Beijing Huayuan Sifang and other key management personnel of Beijing Huayuan Sifang and to control Beijing Huayuan Sifang's operation by making all significant strategic financial and operating decisions of Beijing Huayuan Sifang of which the operation is highly dependent on the Group (including control the bank accounts, direct the strategic financial and operating activities, etc.), Beijing Huayuan Sifang is being treated as a non-wholly owned subsidiary of the Group and 50% equity interest owned by another shareholders of Beijing Huayuan Sifang is being treated as "non-controlling interests".

* *English name is for identification purpose only.*

These subsidiaries are held through certain Structured Agreements (Note 4).

The companies accounted for as subsidiaries through certain Structured Agreements including Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi which was deregistered on 13 April 2022, and Beijing Micro-financing are identified as the Group's short-term financing services segment comprising pawn loan business and micro-financing business. They, in aggregate, contributed revenue of approximately HK$36,900,000 (2021: HK$44,531,000) to the Group, representing approximately 79% (2021: 98%) of the Group's total revenue for the year ended 31 December 2022, and the total assets and total liabilities for this segment are approximately HK$227,739,000 (2021: HK$306,471,000) and approximately HK$11,790,000 (2021: HK$12,801,000), representing approximately 77% (2021: 74%) and approximately 6% (2021: 4%) of the Group's total assets and total liabilities as at 31 December 2022, respectively.

None of the subsidiaries had any debt security outstanding at the year ended or at any time during the year.

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(Continued)

Financial information of subsidiaries with individually material non-controlling interests ("NCI")

The following table shows the information relating the non-wholly owned subsidiaries, Beijing Micro-financing and Beijing Huayuan Sifang, that have material NCI. The summarised financial information represents amounts before inter-company eliminations since acquisition.

	Beijing Huayuan Sifang		**Beijing Micro-financing**	
	2022	2021	**2022**	2021
Proportion of NCI's ownership interests	**50%**	50%	**21%**	21%

	Beijing Huayuan Sifang		**Beijing Micro-financing**	
	As at 31 December		**As at 31 December**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Summarised statement of financial position				
Current assets	**51,953**	48,594	**95,602**	103,015
Non-current assets	**1,391**	3,131	**6,380**	5,347
Current liabilities	**(885)**	(98)	**(1,534)**	(1,988)
Non-current liabilities	**—**	—	**(24,817)**	(27,022)
Net assets	**52,459**	51,627	**75,631**	79,352
Carrying amount of NCI	**27,022**	26,672	**14,043**	16,190

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(Continued)

Financial information of a subsidiary with individually material non-controlling interests ("NCI")
(Continued)

	Beijing Huayuan Sifang Year ended 31 December		Beijing Micro-financing Year ended 31 December	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Summarised income statement				
Revenue/Other income	**9,869**	114	**13,858**	15,832
Profit/(Loss)	**4,913**	(13,390)	**4,230**	7,977
Total comprehensive income/(expense)	**701**	(11,468)	**(1,533)**	10,376
Profit/(Loss) attributable to NCI	**2,457**	(6,695)	**888**	1,675
Dividends declared to NCI	**—**	—	**1,826**	590
Summarised statement of cash flows				
Net cash flows generated from/(used in) operating activities	**11,740**	(10,142)	**31,792**	(422)
Net cash flows used in investing activities	**(104)**	—	**—**	—
Net cash flows used in financing activities	**—**	(1,204)	**(2,059)**	(13,464)
Net cash inflow/(outflow)	**11,636**	(11,346)	**29,733**	(13,886)

Amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed repayment terms.

The Company recognised a charge of loss allowance for ECL on the amounts due from subsidiaries amounting to approximately HK$12,911,000 during the year ended 31 December 2022 (2021: reversal of loss allowance for ECL amounting to approximately HK$34,000,000).

19. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Unlisted equity investment	—	8,576

The movements of the Group's unlisted equity investment were as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the reporting period	**8,576**	5,409
Disposal	**(8,456)**	—
Net unrealised gains recognised in other comprehensive income during the year	—	2,937
Exchange realignments	**(120)**	230
At the end of the reporting period	—	8,576

The above unlisted equity investment represented the 7% equity interest of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited*, "**Shenyang Hulian**"), a private entity incorporated in the PRC, which is principally engaged in the provision of micro-financing services business. Upon the adoption of HKFRS 9, the Group designated its investment in Shenyang Hulian at FVTOCI (non-recycling), as the investment is held for long-term strategic purpose. No dividends were received on this investment during the year ended 31 December 2022 (2021: Nil).

On 23 December 2021, the Group entered into a Sales and Purchases Agreement (the "**S&P**") with an independent third party ("**Buyer**"), pursuant to which, among others, the Group agreed to sell the 7% equity interest of Shenyang Hulian and Buyer agreed to buy the 7% equity interest of Shenyang Hulian for cash consideration of RMB7,000,000 (equivalent to approximately HK$8,576,000) (the "**Disposal**"). As at 31 December 2021, the equity investment at FVTOCI were classified as held for sale in the consolidated statement of financial position and the cumulative other comprehensive income relating to the equity investment at FVTOCI classified as held for sale was approximately HK$106,000 in accordance to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". On 21 February 2022, the Disposal was completed.

As at 31 December 2021, the directors of the Company assessed the fair value of 7% equity interest of Shenyang Hulian was no materially different from the consideration of the Disposal as the Disposal was fair and reasonable and on normal commercial term.

* *English name is for identification purpose only.*

20. REPOSSESSED ASSETS

The Group obtained assets by taking possession of collaterals held as security in relation to loans to customers during the year ended 31 December 2021.

The movements of the Group's repossessed assets were as follows:

	2021 HK$'000
At the beginning of the reporting period	2,253
Write-off of repossessed assets — inventories	(2,288)
Exchange realignments	35
At the end of the reporting period	—

The management assessed that the repossessed assets, which were not used by the Group due to the nature of repossessed assets are irrelevant to the business operation of the Group. Besides, the Group considered significant cost to be involved in order to locate potential acquirer in the market upon the obtainment of repossessed assets since the year ended 31 December 2020. Accordingly, the recoverable amount of the repossessed assets was minimal. Write-off of the repossessed assets of approximately HK$2,288,000 was recognised in profit or loss during the year ended 31 December 2021. The estimated market value of the repossessed asset held by the Group as at 31 December 2021 was Nil.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **HK$'000**	2021 HK$'000
Listed equity investment	**575**	5,626

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The movements of the Group's financial assets at FVTPL were as follows:

	Unlisted investment in non-principal guaranteed trust funds Note (a) HK$'000	Unlisted equity investment Note (b) HK$'000	Listed equity investment Note (c) HK$'000	Total HK$'000
As at 1 January 2021	12,175	4,689	—	16,864
Additions	2,650	—	7,029	9,679
Disposal	—	—	(7,073)	(7,073)
Redemption	(14,665)	—	—	(14,665)
Fair value gains recognised in profit or loss	—	—	5,670	5,670
Loss on redemption of financial assets at FVTPL, net	(296)	—	—	(296)
Disposal of a subsidiary (Note 32)	(56)	—	—	(56)
Write-off of financial assets at FVTPL	—	(4,763)	—	(4,763)
Exchange realignments	192	74	—	266
As at 31 December 2021 and as at 1 January 2022	**—**	**—**	**5,626**	**5,626**
Additions	**—**	**—**	**3,511**	**3,511**
Fair value losses recognised in profit or loss	**—**	**—**	**(8,562)**	**(8,562)**
As at 31 December 2022	**—**	**—**	**575**	**575**
For the year ended 31 December 2021				
Fair value changes recognised in profit or loss				
— Realised (losses)/gains	(296)	(4,763)	3,161	(1,898)
— Unrealised gain	—	—	2,509	2,509
	(296)	(4,763)	5,670	611
For the year ended 31 December 2022				
Fair value changes recognised in profit or loss				
— Unrealised losses	**—**	**—**	**(8,562)**	**(8,562)**

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) The unlisted investment in non-principal guaranteed trust funds (the "**Funds**") were placed with financial institutions in the PRC. The Funds are denominated in RMB and mainly invested in collateral-backed micro-credit loans. The yields on the Funds are not guaranteed, and hence, they were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not SPPI.

On 26 March 2021, the Group had further placed the Funds of RMB2,200,000 (equivalent to approximately HK$2,650,000) with a financial institution in the PRC. During the year ended 31 December 2021, the Group had redeemed the Funds of approximately RMB12,176,000 (equivalent to approximately HK$14,665,000) and recognised a net loss on redemption of approximately RMB246,000 (equivalent to approximately HK$296,000).

(b) The unlisted equity investment represented 0.192% equity interest in 億陽集團股份有限公司 (Yiyang Group Holdings Limited*, "**Yiyang Group**"), a private entity incorporated in the PRC, which is principally engaged in a diversified business including but not limited to information technology, energy and resources and healthcare-related business.

Yiyang Group was one of the customers of the Group. During the year ended 31 December 2020, Yiyang Group failed to repay its debts and proposed a debt restructuring plan which was approved by the court in the PRC, pursuant to which the shareholder of Yiyang Group shall transfer its equity interest to the creditors of Yiyang Group in proportion to the total debts to offset the debts payable to the creditors of Yiyang Group. As a result, the Group derecognised the distressed debt assets due from Yiyang Group in exchange of 0.192% equity interest of Yiyang Group, the carrying amount of the distressed debt assets due from Yiyang Group immediately before the offset arrangement of approximately RMB3,954,000 (equivalent to approximately HK$4,446,000) was deemed as the cost of the investment.

As at 31 December 2021, in respect of the continuous scale-down of business and financial difficulties faced by Yiyang Group, the directors of the Company have assessed the recoverable amount of the unlisted equity investment by reference to the value of the underlying assets of Yiyang Group which may not be able to generate future economic benefits. Accordingly, the recoverable amount of the unlisted equity investment was minimal which the directors of the Company write off the entire interests of approximately RMB3,954,000 (equivalent to approximately HK$4,763,000) recognised in profit or loss during the year ended 31 December 2021.

(c) The listed equity investment represents the investment in the listed equity securities in the Main Board of the Stock Exchange. Upon the initial recognition, in the opinion of the directors of the Company, the investments are held for trading, and hence, they were classified as financial asset at FVTPL. The fair values of the listed equity investment is determined on the basis of quoted market price available on the Stock Exchange at the end of reporting period and therefore classified as level 1 under fair value hierarchy.

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22. LOANS TO CUSTOMERS

	Notes	2022 HK$'000	2021 HK$'000
Principal and interest receivables:			
Pawn loans	a	**171,322**	230,274
Micro-credit loans	b	**81,294**	111,549
Distressed debt assets	c	**6,003**	18,085
Loans to customers, gross		**258,619**	359,908
Less:			
Loss allowance		**(109,964)**	(112,656)
Loans to customers, net		**148,655**	247,252

Loss allowance on loans to customers which are short term in duration (i.e. loan term of less than one year) are always measured at an amount equal to lifetime ECL.

Notes:

a. Pawn loans

For the pawn loans to customers, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and the Group has a sole discretion to approve the renewal of loan for a period of up to 180 days. As at 31 December 2022, pawn loans advanced to customers bore interest at fixed rates ranging from 0.1% per month to 0.3% per month (2021: 0.1% per month to 0.3% per month). They are also subject to administrative fee rates payables by customers. The pawn loans advanced to customers after taking into account the above mentioned administrative fee rates, bore effective interest rates ranging from 10.5% to 25.7% (2021: 12.1% to 32.7%) per annum as at 31 December 2022.

The loans to customers are all collaterals-backed pawn loans, the gross amount of pawn loans based on the type of collaterals are set out below:

	2022 HK$'000	2021 HK$'000
Real estates	**64,215**	99,814
Equity interests	**16,429**	28,825
Movable assets		
— Inventories	**79,167**	83,082
— Other movable assets	**11,511**	18,553
	171,322	230,274

22. LOANS TO CUSTOMERS *(Continued)*

Notes: *(Continued)*

b. Micro-credit loans

For micro-credit loans to customers, the loan periods are ranging from 53 to 365 days (2021: 120 to 365 days), and the Group has a sole discretion to approve the renewal of loan for another certain period, usually within one year. As at 31 December 2022, micro-credit loans advanced to customers bore interest at fixed rates ranging from 1.3% per month to 2.0% per month (2021: 1.3% per month to 2.0% per month) and the effective interest rates of micro-credit loans ranging from 15.1% to 23.7% (2021: 15.6% to 26.9%) per annum as at 31 December 2022.

The loans to customers are the guaranteed loans or collaterals-backed micro-credit loans, the gross amount of micro-credit loans based on the type of collaterals and guarantees are set out below:

	2022 **HK$'000**	2021 HK$'000
Collaterals-backed:		
— Real estates	**64,573**	80,253
Guaranteed*	**16,721**	31,296
	81,294	111,549

* This represented the personal/corporate guarantee from the independent third parties or controlling shareholders of the customers.

22. LOANS TO CUSTOMERS *(Continued)*

Notes: *(Continued)*

c. Distressed debt assets

For distressed debt assets classified in loans to customers, they represented the receivable from the obligors of non-performing loans. The borrowers are obliged to settle the amount according to the terms set out in relevant loans.

The loans to customers are all collateral-backed distressed debt assets, the gross amount of distressed debt assets based on the type of collaterals are set out below:

	2022 **HK$'000**	2021 HK$'000
Real estates	**6,003**	18,085

For pawn loans and micro-credit loans that have been past due and the interest charged under the original loan contracts reached the maximum cap as restricted under certain laws and regulations in the PRC, the Group charges the same interest rates as stipulated in the respective original loan contracts. The Group may charge penalty or additional interest when the interest rates charged in the original loan contracts had not reached the maximum cap under the laws and regulations in the PRC.

The Group holds collateral over the pawn loans, micro-credit loans and distressed debt assets. During the loan period, additional collateral may be obtained from customers to secure their repayment obligations under loan contracts. All collaterals are registered in accordance with the relevant laws and regulations in the PRC.

If the customers repaid all the principal and interest in accordance with the loan agreement, the collateral is released and the transaction is deemed to be completed. In the event of default as defined in the relevant contract by customers, the Group might collect and sell the collaterals (through legal proceedings) after taking into legal advice. The risk of unrecoverable principal and interest is compensated by the realisable value of these collaterals.

Moreover, at the end of reporting period, the management performs credit evaluation and due diligence procedures to determine whether the guarantors have the ability to repay the Group in the event of default by customers.

The management considers that the fair values of loans to customers (after loss allowance for ECL) are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

22. LOANS TO CUSTOMERS *(Continued)*

Loans to customers are all denominated in RMB which is the functional currency of the relevant group entities.

The following is a credit quality analysis of loans to customers before loss allowance for ECL as at 31 December 2022 and 2021 under the requirements of HKFRS 9:

	2022 **HK$'000**	2021 HK$'000
Neither overdue nor credit-impaired	**96,920**	187,283
Overdue but not credit-impaired		
— overdue within 30 days	**18,076**	4,666
— overdue 30 to 90 days	**13,262**	30,250
Overdue and credit-impaired		
— overdue more than 90 days	**130,361**	137,709
	258,619	359,908

The Group has adopted the ECL model as required by HKFRS 9 since 1 January 2018 in assessing and measuring the loss allowance for the Group's loans to customers. As described in the above table, the management categorised the loans into mainly 3 categories; (a) neither overdue nor credit-impaired; (b) overdue but not credit-impaired and (c) overdue and credit-impaired. The management considered a number of factors as described in Note 3 to the consolidated financial statements in determining whether the loans are credit-impaired and concluded that, based on the Group's past experience in loan financing business and relevant forward looking information available to the Group, loans with more than 90 days past due are considered as credit-impaired.

The Group considers the past default experience of the debtor, general economic conditions of the industry in which the debtors operate, the value of collateral and an assessment of both the current as well as the forecast directions of conditions as at the reporting date.

The management reviews the individual outstanding loans at least semi-annually or more regularly when individual circumstances required. Collectively assessment on loss allowance for loans to customers are provided for portfolios of loans to customers with homogenous collateral type while individually assessment on loss allowance for loans to customers are determined by an evaluation of the incurred loss on a case-by-case basis.

22.LOANS TO CUSTOMERS *(Continued)*

Movement of loss allowance for ECL on loans to customers under HKFRS 9 are as follows:

	Lifetime ECL — not credit-impaired HK$'000	Lifetime ECL — credit-impaired HK$'000	Total HK$'000
As at 1 January 2021	30,896	108,126	139,022
Changes in the loss allowance:			
Transferred to Lifetime ECL – credit-impaired	(2,758)	2,758	—
Credited to profit or loss	(12,664)	(12,978)	(25,642)
Written off	—	(4,900)	(4,900)
Exchange realignments	714	3,462	4,176
As at 31 December 2021 and 1 January 2022	**16,188**	**96,468**	**112,656**
Changes in the loss allowance:			
Transferred to Lifetime ECL — credit-impaired	**(7,468)**	**7,468**	**—**
Charged to profit or loss	**2,910**	**3,171**	**6,081**
Exchange realignments	**(749)**	**(8,024)**	**(8,773)**
As at 31 December 2022	**10,881**	**99,083**	**109,964**

Specifically, in estimating the amount of ECL, the management uses various approaches taking into account (i) ageing of the Group's loans to customers based on the categories as described above and (ii) the difference between the effective interest rate charged by the Group to the borrowers, which in the opinion of the management, reflects the market borrowing rate of the respective borrowers and the rate that the Group would charge to borrowers with low credit risk, which the management believes that the difference best reflects the Group's exposure credit risk. The Group also takes into account forward-looking information, e.g. the industry and business environment, etc.. The Group has recognised loss allowance for ECL, representing approximately 42.5% (2021: 31.3%) of the gross carrying amount, against all loans to customers as at 31 December 2022.

The Group's loss allowance for ECL on loans to customers may also take into account the subsequent settlement, certain collateral valuation and the management's judgement on the marketability of the collateral properties and customers' capability of payment.

22. LOANS TO CUSTOMERS *(Continued)*

The information about the exposure to credit risk and ECL for loans to customers using a provision matrix is summarised below:

As at 31 December 2022	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Not credit-impaired				
Collaterals-backed:				
— Real estates	6.72	105,593	(7,091)	98,502
— Movable assets				
— Inventories	27.69	10,185	(2,820)	7,365
Guaranteed	7.77	12,480	(970)	11,510
	8.48	128,258	(10,881)	117,377
Credit-impaired				
Collaterals-backed:				
— Real estates	62.27	29,198	(18,182)	11,016
— Equity interests	72.10	16,429	(11,845)	4,584
— Movable assets				
— Inventories	81.05	68,982	(55,910)	13,072
— Other movable assets	81.04	11,511	(9,329)	2,182
Guaranteed	90.00	4,241	(3,817)	424
	76.01	130,361	(99,083)	31,278
	42.52	258,619	(109,964)	148,655

22. LOANS TO CUSTOMERS *(Continued)*

As at 31 December 2021	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Not credit-impaired				
Collaterals-backed:				
— Real estates	4.36	169,217	(7,373)	161,844
— Equity interests	25.37	1,841	(467)	1,374
— Movable assets				
— Inventories	25.40	24,971	(6,342)	18,629
— Other movable assets	50.00	2	(1)	1
Guaranteed	7.66	26,168	(2,005)	24,163
	7.29	222,199	(16,188)	206,011
Credit-impaired				
Collaterals-backed:				
— Real estates	59.29	28,935	(17,157)	11,778
— Equity interests	72.10	26,984	(19,456)	7,528
— Movable assets				
— Inventories	72.10	58,111	(41,898)	16,213
— Other movable assets	72.10	18,551	(13,375)	5,176
Guaranteed	89.35	5,128	(4,582)	546
	70.05	137,709	(96,468)	41,241
	31.30	359,908	(112,656)	247,252

The increase in the weighted average rate of ECL from approximately 31.3% to 42.52% was mainly driven by (i) the deterioration of the customers' ageing which resulted in changes of risk category classification of certain balances; and (ii) the decline of the expected recoverable value of collaterals and guarantees which was resulted from the increase in costs and efforts of their realisation as a result of the unfavourable economic environment, including the weakened global economy and uncertainties arising from the rising tensions between the PRC and the United States of America and COVID-19 pandemic.

22. LOANS TO CUSTOMERS *(Continued)*

The analysis of credit-impaired loans of the Group was as follows:

As at 31 December 2022	**Gross carrying amount HK$'000**	**Loss allowance for ECL HK$'000**	**Net carrying amount HK$'000**	**Type of collaterals**
Pawn loans	**106,414**	**(81,828)**	**24,586**	**Real estates, equity interests and movable assets**
Micro-credit loans	**17,944**	**(12,093)**	**5,851**	**Real estates and guaranteed**
Distressed debt assets (Note)	**6,003**	**(5,162)**	**841**	**Real estates**
	130,361	**(99,083)**	**31,278**	

As at 31 December 2021	Gross carrying amount HK$'000	Loss allowance for ECL HK$'000	Net carrying amount HK$'000	Type of collaterals
Pawn loans	113,918	(79,138)	34,780	Real estates, equity interests and movable assets
Micro-credit loans	5,706	(4,806)	900	Real estates and guaranteed
Distressed debt assets (Note)	18,085	(12,524)	5,561	Real estates
	137,709	(96,468)	41,241	

Note: The aggregate face value of the distressed debt assets is approximately HK$6,493,000 as at 31 December 2022 (2021: HK$26,709,000).

22. LOANS TO CUSTOMERS *(Continued)*

The fair value of real estates held against the credit-impaired loans as at 31 December 2022 and 2021 were estimated by the management based on the latest external valuation where available adjusted in light of the discount and time required to covert the real estates into cash.

The management estimated the fair value of the collaterals and guaranteed other than the real estates held against the credit-impaired loans as at 31 December 2022 and 2021 were insignificant.

Further information about the loans to customers and the Group's exposures to credit risk and interest rate risk is set out in Note 35 to the consolidated financial statements.

The Group has commenced legal action against 10 customers (2021: 9 customers) in respect of the overdue repayment of principal and interest receivables of an aggregate amount of approximately HK$35,904,000 (2021: HK$44,993,000) as at 31 December 2022. The management after taking the legal advice into consideration was of the view that the balances could be partially recovered by way of enforcement means within specified period (maximum period of not more than 3 years for any circumstances) according to the Civil Proceeding Law of the PRC. The pledged property of the customer will be proceeded for auctioned for the repayment of overdue principal and interest receivables through legal proceeding, in the event that the Group has successfully acquired the pledged asset, it will be recognised as repossessed asset (Note 20).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2021, the amount of approximately HK$7,046,000 included in the prepayments, deposits and other receivables represented the receipt placed in a Hong Kong incorporated securities company in relation to the net proceeds from disposal of listed equity investment as disclosed in Note 21(c) to the consolidated financial statements.

24. CASH AND CASH EQUIVALENTS

	2022 **HK$'000**	2021 HK$'000
Cash and cash equivalents, represented by bank balances and cash, were denominated in:		
HK$	**14,063**	30,490
RMB	**91,095**	65,415
	105,158	95,905

Cash at banks earn interest at floating rates based on daily bank deposit rates.

As at 31 December 2022, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB80,419,000 (2021: RMB53,391,000) and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

25. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest free and repayable on demand.

26. PROMISSORY NOTES

	Note	2021 HK$'000
At the beginning of the reporting period		5,334
Effective interest expense	7	109
Interest payments		(443)
Redemption		(5,000)
Carrying value at the end of the reporting period		—
Face value at the end of the reporting period		—

On 18 March 2021, the Company has fully redeemed the promissory notes with principal amount of HK$5,000,000 and settled accrued interests of approximately HK$443,000 by cash settlement.

27. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of Prima Finance and Sunny Bridge and its subsidiaries in 2014, the Company had issued zero-coupon convertible bonds with the principal amount of HK$420,200,000 ("**2019 CB**") as part of the Initial Consideration (as defined in Annual Report 2015) to Exuberant Global Limited, Busting Capital Limited and Time Prestige Holding Limited (collectively, the "**Vendors**") of Prima Finance and Sunny Bridge and its subsidiaries. In 2015, the Company issued zero-coupon convertible bonds in the principal amount of HK$236,000,000 ("**2020 CB**") to the Vendors.

27. CONVERTIBLE BONDS *(Continued)*

Principal terms of convertible bonds as below:

Principal amount:	HK$656,200,000
Interest:	Non-interest bearing
Maturity:	5 years from the date of issue (i.e. 24 June 2019 and 5 February 2020)
Security:	Unsecured
Conversion right:	The holder(s) of the convertible bonds shall have the rights to convert the whole or the part (in multiples of HK$1,000,000) of the outstanding principal amount of the convertible bonds into the ordinary share(s) of the Company at any time up to the seventh day prior to the maturity date of the convertible bonds.
Conversion restriction:	The holder(s) of the convertible bonds shall not have the right to convert the convertible bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the shares of the Company as required under the GEM Listing Rules; or (ii) the holder of the convertible bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the convertible bonds would be obliged to make a general offer under the Takeovers Code.
Conversion price:	HK$0.35 per ordinary share of the Company, subject to anti-dilutive adjustments
Redemption:	Unless previously converted, the Company shall pay 105% of the outstanding principal amount under the convertible bonds to the holder(s) of the convertible bonds on the maturity date of the convertible bonds.
Voting rights	The convertible bonds shall not carry any voting rights.

On 13 April 2015, the holders of 2019 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK$33,000,000 into new ordinary shares of the Company.

On 9 January 2017, the holder of 2020 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK$42,000,000 into new ordinary shares of the Company.

On 20 February 2019, the Company executed the amendment deeds, to extend the maturity date of the 2019 CB by 3 years from 24 June 2019 to 24 June 2022 ("**2022 CB**"), and the 2020 CB by 3 years from 5 February 2020 to 5 February 2023 ("**2023 CB**") (together referred to the "**Alteration**"). Save for the aforesaid Alteration, all other terms and condition of the 2019 CB and the 2020 CB shall remain unchanged.

27. CONVERTIBLE BONDS *(Continued)*

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has obtained the approval of the Alteration from the Stock Exchange on 2 May 2019, which is subject to (i) shareholders' approval on the amendment deeds; and (ii) fulfillment of all other conditions of the amendment deeds.

The amendment deeds and transactions contemplated thereunder are considered to be connected transactions of the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As disclosed in the announcement of the Company dated 7 May 2019, the Company has obtained the approval from independent shareholders on the amendment deeds and transactions contemplated thereunder at the special general meeting held on 7 May 2019.

Details of the Alteration are set out in the Company's announcements dated 20 February 2019 and 7 May 2019, and the circular of the Company dated 30 March 2019.

The conversion price of the convertible bonds as at 31 December 2020 is adjusted from HK$0.35 per ordinary share to HK$1.75 per ordinary share after taking into account the effect of the share consolidation with effective on 8 April 2020.

During the year ended 31 December 2020, the Company and the holder of 2022 CB entered into redemption agreements, to early redeem the zero-coupon convertible bonds with aggregate principal amount of HK$98,851,000 by cash settlement of approximately HK$85,324,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2022 CB at initial recognition. At the date of redemption, a deemed capital contribution, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK$2,136,000 and the redemption prices allocated to the equity component of approximately HK$1,889,000 were recognised in equity. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK$193,000 was transferred to accumulated losses.

During the year ended 31 December 2021, the Company has entered redemption agreements with several holders of 2022 CB to early redeem the zero-coupon convertible bonds with aggregate principal amount of HK$188,509,000 by cash settlement of approximately HK$180,823,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2022 CB at initial recognition. At the date of redemption, a deemed capital contribution and gain on early redemption recognised in profit or loss, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK$4,002,000 and approximately HK$126,000, respectively, and the redemption prices allocated to the equity component of approximately HK$4,004,000 were recognised in equity. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK$769,000 was transferred to accumulated losses.

27. CONVERTIBLE BONDS *(Continued)*

On 6 January 2022, the Company has entered a redemption agreement with a holder of 2023 CB to early redeem the zero-coupon convertible bonds with principal amount of HK$8,600,000 by cash settlement of HK$8,000,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2023 CB at initial recognition. At the date of redemption, a settlement gain on early redemption, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK$303,000 and the redemption prices allocated to the equity component of approximately HK$245,000 were recognised in profit or loss and equity, respectively. Upon the redemption of 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2023 CB of approximately HK$52,000 was transferred to accumulated losses.

On 24 June 2022, the remaining 2022 CB became mature and was no longer convertible into shares of the Company. Therefore, 2022 CB in an aggregate principal amount of HK$99,840,000 and accrued interest of approximately HK$4,992,000 were reclassified as bond payables which included in "Accrued expenses, other payables and deposits received", and the remaining amount of convertible bonds reserve attributable to 2022 CB of approximately HK$1,713,000 was transferred to accumulated losses.

On 21 July 2022, the Company issued 2 series of zero-coupon convertible bonds as all conditions precedent set out in each of the convertible bonds subscription agreements had been fulfilled, with respective principal amounts of HK$99,840,000 due on 24 December 2023 ("**New 2022 CB**") and HK$185,400,000 due on 5 August 2024 ("**New 2023 CB**"). The conversion price of each of New 2022 CB and New 2023 CB is HK$0.05 per ordinary share. The New 2022 CB and New 2023 CB were issued to settle the outstanding principal amounts of 2022 CB and 2023 CB, respectively (together referred to the "**Setting Off**"). After the issuance of New 2022 CB and New 2023 CB, the contractual obligations associated with 2022 CB and 2023 CB were discharged. The Setting Off is based on the terms of 2022 CB and 2023 CB, which allows early repurchase by the Company and is essentially an early redemption of 2022 CB and 2023 CB and there is no alternation of the terms to 2022 CB and 2023 CB except for the new conversion price and maturity dates of New 2022 CB and New 2023 CB.

27. CONVERTIBLE BONDS *(Continued)*

Principal terms of convertible bonds as below:

Principal amount:	New 2022 CB: HK$99,840,000 New 2023 CB: HK$185,400,000
Interest:	Non-interest bearing
Maturity:	New 2022 CB: 24 December 2023 New 2023 CB: 5 August 2024
Security:	Unsecured
Conversion right:	The holder(s) of the convertible bonds shall have the rights to convert the whole or the part (in multiples of HK$1,000,000) of the outstanding principal amount of the convertible bonds into the ordinary share(s) of the Company at any time up to the seventh day prior to the maturity date of the convertible bonds.
Conversion restriction:	The holder(s) of the convertible bonds shall not have the right to convert the convertible bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the shares of the Company as required under the GEM Listing Rules; or (ii) the holder of the convertible bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the convertible bonds would be obliged to make a general offer under the Takeovers Code.
Conversion price:	HK$0.05 per ordinary share of the Company, subject to anti-dilutive adjustments
Redemption:	Unless previously converted, the Company shall pay 105% of the outstanding principal amount under the convertible bonds to the holder(s) of the convertible bonds on the maturity date of the convertible bonds.
Voting rights:	The convertible bonds shall not carry any voting rights.

As the discounted present value of the cash flows under the new terms, including any fees paid and discounted using the original effective interest rate, was more than 10% different from the discounted present value of the remaining cash flows of the financial liability, the directors of the Company consider the Setting Off constituted a significant modification and was accounted for as an extinguishment of the bond payables and the liability component of 2023 CB and the recognition of new financial liabilities of New 2022 CB and New 2023 CB.

27.CONVERTIBLE BONDS *(Continued)*

The Group recognised a gain on extinguishment of bond payables and liability component of convertible bonds of approximately HK$26,944,000 in profit or loss on 21 July 2022. As certain bond payables are entered with a shareholder of the Company, a deemed capital contribution of approximately HK$13,006,000 was recognised in equity at the date of issuance of New 2022 CB.

The balance of the convertible bonds reserve for 2023 CB of approximately HK$4,141,000 was transferred from the convertible bonds reserve to accumulated losses.

The recognition of New 2022 CB and New 2023 CB had accounted for approximately HK$33,357,000 and approximately HK$248,648,000 in the convertible bonds reserve and liability component of convertible bonds, respectively. The extinguishment of the bond payables (upon mature of 2022 CB) and 2023 CB resulted in the setting off of bond payables and liability component of 2023 CB of approximately HK$104,832,000 and approximately HK$183,766,000, respectively.

During the year ended 31 December 2022, the Company has entered redemption agreements with several holders of New 2022 CB and New 2023 CB to early redeem the zero-coupon convertible bonds with principal amount of HK$39,006,000 and HK$46,165,000, respectively, by cash settlement of approximately HK$76,122,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of New 2022 CB and New 2023 CB at initial recognition. At the date of redemption, a deemed capital contribution and gain on early redemption recognised in profit or loss, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK$4,742,000 and approximately HK$4,887,000, respectively, and the redemption prices allocated to the equity component of approximately HK$9,155,000 were recognised in equity. Upon the redemption of New 2022 CB and New 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed New 2022 CB and New 2023 CB of approximately HK$1,084,000 was transferred from accumulated losses.

On 22 December 2022, the holder of New 2022 CB exercised his right to convert the zero-coupon convertible bonds with the principal amount of HK$7,500,000 into new ordinary shares of the Company.

Subsequent to 31 December 2022, the conversion price of New 2022 CB and New 2023 CB is adjusted from HK$0.05 per ordinary share to HK$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation (as defined in Note 38 to the consolidated financial statements) completed on 23 February 2023.

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.

The liability component of the convertible bonds is carried as a current or non-current liability, as appropriate, on the amortised cost basis until extinguished on conversion or redemption.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on New 2022 CB and New 2023 CB is calculated using effective interest rate ranging from 10.67% to 10.95% per annum.

27. CONVERTIBLE BONDS *(Continued)*

The movements of above-mentioned convertible bonds were as follows:

	2022 HK$'000	2021 HK$'000
Equity component		
At the beginning of the reporting period	**6,047**	9,282
Early redemption of 2022 CB and 2023 CB	**(193)**	(3,235)
Transferred to accumulated losses upon mature of 2022 CB	**(1,713)**	—
Extinguishment of 2023 CB	**(4,141)**	—
Recognition of New 2022 CB and New 2023 CB	**33,357**	—
Early redemption of New 2022 CB and New 2023 CB	**(10,239)**	—
Conversion of New 2022 CB	**(1,025)**	—
At the end of the reporting period	**22,093**	6,047
Liability component		
At the beginning of the reporting period	**281,198**	422,921
Effective interest expenses of 2022 CB and 2023 CB	**15,458**	39,226
Early redemption of 2022 CB and 2023 CB	**(8,058)**	(180,949)
Transfer to bond payables upon mature of 2022 CB	**(104,832)**	—
Extinguishment of 2023 CB	**(183,766)**	—
Recognition of New 2022 CB and New 2023 CB	**248,648**	—
Effective interest expenses of New 2022 CB and New 2023 CB	**10,027**	—
Early redemption of New 2022 CB and New 2023 CB	**(76,594)**	—
Conversion of New 2022 CB	**(7,094)**	—
At the end of the reporting period	**174,987**	281,198
Analysed for reporting as:		
Current liabilities	**50,588**	99,731
Non-current liabilities	**124,399**	181,467
	174,987	281,198
Face value at the end of the reporting period	**192,569**	293,840

28. DEFERRED TAX ASSETS

The movements in the Group's deferred tax assets were as follows:

	Notes	**Loss allowance for ECL** HK$'000
As at 1 January 2021		34,811
Charged to profit or loss	9	(7,209)
Exchange realignments		1,033
As at 31 December 2021 and 1 January 2022		28,635
Credited to profit or loss	9	**1,155**
Exchange realignments		**(2,219)**
As at 31 December 2022		**27,571**

As at 31 December 2022 and 2021, the Group has recognised the deferred tax assets in respect of the loss allowance for ECL as it is probable that the future profits will be available for offsetting against which the deductible temporary differences can be utilised.

As at 31 December 2022, certain subsidiaries of the Company incorporated in Hong Kong and the PRC have estimated unused tax losses of approximately HK$10,021,000 and HK$1,972,000, respectively, (2021: HK$10,021,000 and HK$2,589,000, respectively) available for offsetting against future profits, which are subject to the agreement from the tax authority. No deferred tax asset has been recognised in respect of the above tax losses due to the uncertainty over the availability of future profit streams of these subsidiaries. Such losses may be carried forward indefinitely.

At the end of the reporting period, the Group has the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax loss was incurred:

	2022 HK$'000	2021 HK$'000
Year of expiry		
2023	**113**	123
2024	**387**	419
2025	**103**	111
2026	**1,369**	1,936
2027	**—**	—
	1,972	2,589

As at 31 December 2022 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the directors of the Company, having considered the future funding requirements of the Group's subsidiaries established in the PRC, it is probable that the earnings will not be distributed in the foreseeable future. Unremitted earnings amounted to approximately HK$162,990,000 (2021: HK$222,040,000) as at 31 December 2022.

29. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
As at 1 January 2021, 31 December 2021 and 1 January 2022, ordinary shares of HK$0.05 each		2,000,000	100,000
Increase in authorised share capital	(a)	18,000,000	900,000
As at 31 December 2022, ordinary shares of HK$0.05 each		**20,000,000**	**1,000,000**
Issued and fully paid:			
As at 1 January 2021, ordinary shares of HK$0.05 each		281,276	14,064
Rights issue	(b)	562,553	28,127
Placing of shares under general mandate	(c)	168,000	8,400
As at 31 December 2021 and 1 January 2022, ordinary shares of HK$0.05 each		1,011,829	50,591
Shares issued upon conversion of convertible bonds (Note 27)	(d)	**150,000**	**7,500**
As at 31 December 2022, ordinary shares of HK$0.05 each		**1,161,829**	**58,091**

Notes:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 28 June 2022, the authorised share capital of the Company was increased from HK$100,000,000 divided into 2,000,000,000 ordinary shares of HK$0.05 each to HK$1,000,000,000 divided into 20,000,000,000 ordinary shares by the creation of an additional 18,000,000,000 ordinary shares and become effective on 28 June 2022.

(b) On 3 December 2020, the Company proposed to implement the rights issue on the basis of two (2) rights shares for every one (1) existing share held on 8 February 2021, being the record date, at the subscription price of HK$0.135 per rights share. The rights issue was approved by the independent shareholders of the Company at the special general meeting held on 26 January 2021 and subsequently became unconditional and completed as announced on 15 March 2021. As such, 562,552,822 shares, with par value of HK$0.05 each, were issued and allotted under the rights issue with gross proceeds of approximately HK$75,945,000. The amount of approximately HK$43,955,000, which represented the premium on the rights issue of approximately HK$47,818,000 net of share issue expenses of approximately HK$3,863,000, was credited to the Company's share premium accounts.

(c) On 1 December 2021, the Company and a placing agent entered into a placing agreement to subscribe 168,000,000 ordinary shares at the placing price of HK$0.155 per share. The new shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 25 June 2021. The 168,000,000 new ordinary shares, with par value of HK$0.05 each, were placed to not less than six independent placees on 20 December 2021 with gross proceeds of approximately HK$26,040,000. The amount of approximately HK$16,813,000, which represented the premium on the issue of shares of approximately HK$17,640,000, net of share issue expenses of approximately HK$827,000, was credited to the Company's share premium accounts.

(d) On 22 December 2022, convertible bonds with principal amount of HK$7,500,000 have been converted into 150,000,000 new ordinary shares of the Company at a conversion price of HK$0.05 per share.

30. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

(i) Share premium

The balance represents the premium arising from the issue of the Company's shares at a price in excess of their par value per share.

(ii) Contributed surplus and capital reserve

The contributed surplus represents the remaining credit balance pursuant to the Group's capital reorganisation that took place in prior years. The capital reserve of the Group represents the contributions from owners of the Company for modification of terms, partial waiver and early redemption of the promissory notes/convertible bonds held thereby that took place in prior/current years.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Convertible bonds reserve

The convertible bonds reserve represents the equity component (conversion right) of the convertible bonds issued (Note 27).

(v) FVTOCI reserve

The FVTOCI reserve comprises the cumulative net change in the fair value of equity investment designated at FVTOCI under HKFRS 9 that are held at the end of reporting period.

(vi) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

31. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 2 August 2012.

Under the Scheme, the Board of Directors (the "**Board**") may at its discretion offer to any employee of the Group, any director (whether executive or non-executive and whether independent or not) of the Group, any adviser, consultant, supplier, distributor, contractor, agent, business partner, promoter, services provider or customer of the Group whom, in the sole discretion of the Board, has contributed or will contribute to the Group of the options to subscribe for shares in the Company in accordance with the terms of the Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the Scheme are to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. The Scheme commenced on 2 August 2012 and had expired on 2 August 2022.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or management shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme where applicable at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board under the Scheme, but may not be later than ten years after the date of the grant of the option. According to the Scheme where applicable, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Scheme where applicable.

The exercise price will be determined by the Board under the Scheme, but may not be less than the higher of (i) the closing price of the Company's shares on GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the Company's shares on GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the Company's shares.

No option has been granted or exercised under the Scheme during the year ended 31 December 2022 (2021: Nil).

32. DISPOSAL OF A SUBSIDIARY

On 31 December 2021, Beijing Wanchi and an independent third party entered into a disposal agreement to dispose the entire issued shares in Lhasa Jiade, a wholly-owned subsidiary of the Company at an aggregate consideration of RMB8,000,000 (equivalent to approximately HK$9,802,000). The disposal was completed on 31 December 2021 and the dividends payable to Beijing Wanchi of approximately HK$5,268,000 was immediately settled after completion of the disposal on 31 December 2021. The aggregate amounts of assets and liabilities attributable to Lhasa Jiade at the date of disposal were as follows:

	2021 HK$'000
Net assets disposed of	
Financial assets at FVTPL	56
Loans to customers	9,435
Prepayments, deposits and other receivables	12
Tax recoverable	7
Cash and cash equivalents	20
Accrued expenses, other payables and deposits received	(118)
Net assets upon disposal	9,412
Reclassification on exchange reserve	2,674
Loss on disposal of a subsidiary	(2,284)
Consideration	9,802
Net cash inflow arising on disposal:	
Cash consideration received	9,802
Less:	
Cash and cash equivalents disposed of	(20)
	9,782

33. RELATED PARTY TRANSACTIONS

Save for those transactions/information disclosed elsewhere in the consolidated financial statements, details of transactions between the Group and related parties are disclosed below.

a. Lease payments of approximately HK$122,000 (2021: HK$233,000) were paid to a NCI of non-wholly owned subsidiary of the Group during the year ended 31 December 2022. The lease payments were charged at approximately RMB200,000 per year with 10% increment for every 5 years and the lease terms will be expired on 31 December 2034, and the future minimum lease payments under non-cancellable operating lease in respect of such property was approximately HK$3,016,000 (2021: HK$3,510,000) as at 31 December 2022.

b. Compensation for key management personnel, including amounts paid or payable to the Company's directors and the senior executives, was as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, bonuses, allowances and other benefits	**7,602**	10,428
Pension scheme contributions	**413**	593
	8,015	11,021

c. In the opinion of the directors of the Company, the transaction listed above was concluded in the ordinary and usual course of business. Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the members of the board of directors and senior management of the Company.

34. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. The Group's overall strategy remains unchanged throughout the years.

The capital structure of the Group consists equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risk and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Group's business, and the operational risks are inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risk, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The directors of the Company are responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures related to risk management. The Group's relevant functional units are responsible for monitoring financial risks.

The main risks arising from the Group's financial instruments in the normal course of business are market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Market risk

i. Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and fair value interest rate risk in relation to fixed-rate loans to customers. The Group currently does not have a policy to hedge against the interest rate risk as management does not expect any significant interest rate risk as at the end of the reporting period.

Most of the Group's interest-bearing assets and liabilities including loans to customers, the income and operating cash flows of the Group are substantially independent of change in market interest rates.

No interest rate sensitivity is disclosed as in the opinion of the directors of the Company as the exposure arising from financial assets or liabilities that are subject to cash-flow interest rate risk is insignificant at the end of the reporting period.

ii. Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and US$ respectively. As at 31 December 2022, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB, HK$ and US$ (2021: RMB, HK$ and US$), used by the respective group entities, or in the US$ for the respective group entities with HK$ being the functional currency.

As HK$ is pegged to US$, the Group considers the risk of movements in exchange rates between HK$ and US$ to be insignificant for transactions denominated in US$. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Market risk *(Continued)*

iii. Price risk

The Group is exposed to price risk arising from its financial assets at FVTPL which their fair value will fluctuate.

At the end of the reporting period, if the transaction price of the investments has been 5% higher/lower with all other variables held constant, the Group's pre-tax results would increase/decrease by approximately HK$29,000 for the year ended 31 December 2022 (2021: HK$281,000).

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of the unlisted investments had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the unlisted investments over the next 12 months after the end of the reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the price risk because the exposure at the end of the reporting period does not reflect the exposure during the years ended 31 December 2022 and 2021.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk

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

The Group is exposed to credit risk primarily from its loans to customers, deposits and other receivables and cash and cash equivalents.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

Credit risk measurement

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Given the loans to customers portfolio is a major component of the Group's assets, risk of the loans to customers portfolio is considered as a principal credit risk.

The Group has taken measures to identify credit risks. The Group manages credit risk at every stage of the risk management system, including pre-approval, review, 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 may be subject to the review and approval of credit officer and subsidiary's chairman of the board, depending on the transaction size.

The Group implements guidelines on the acceptability of specific classes of collateral. The amount of acceptable collateral at the time of loan origination is determined by the risk management department and is subject to loan-to-value ratio limits based on type of loans and is monitored on an ongoing basis by the risk management department. Collaterals are initially assessed by business department and are independently evaluated by risk management department for the authenticity and the fair value.

During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post transaction reviews focusing on various aspects, including but not limited to customers' products markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfill contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating its businesses in the PRC, there exists a certain level of geographical concentration risk for its loans to customers portfolio in that it might be affected by changes in the PRC economic conditions.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk *(Continued)*

Collaterals and guarantees

According to the relevant PRC laws and regulations, the Group as the owner of the assets, has the right to establish usufructuary right and security interest over the assets. Therefore, the laws protect the Group's effective right. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain customers, depending on the customers' credit status and credit risk degree. The management evaluates the capability of the guarantor, the ownership and value of the mortgage or pledge and the feasibility to realise the mortgage or pledge.

As at 31 December 2022, the Group had a concentration of credit risk as 3.1% (2021: 3.7%) and 12.4% (2021: 14.5%) of the total loans to customers (net of loss allowance for ECL) were made up by the Group's largest loan customer's and the five largest loan customers' outstanding balances, respectively.

Relevant information with regard to the ECL for loans to customers as at 31 December 2022 and 2021 are set out in Note 22 to the consolidated financial statements.

The Group's exposure under outstanding loans to customers were secured by collaterals and certain guarantees as disclosed in Note 22 to the consolidated financial statements. During the years ended 31 December 2022 and 2021, there has been no significant changes in the estimate techniques and key assumptions of the Group.

Deposits and other receivables

For deposits and other receivables, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-m ECL, since there has not been a significant increase in credit risk since initial recognition for the deposits and other receivables.

Cash and cash equivalents

The expected credit loss for cash and cash equivalents is insignificant because such assets are placed in banks with good reputation.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents. The Group's primary cash requirements have been for making advances for loans to customers and payments of operating costs and outstanding debts. The Group finances its working capital requirements through funds generated from operations and fund raising exercises. The management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected future cash flows.

The following table details the remaining contractual maturities as 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 as at the end of the reporting period) and the earliest date the Group is required to pay.

			2022			
	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 years but within 5 years HK$'000	Over 5 years HK$'000
Accrued expenses, other payables and deposits received	9,745	9,745	9,745	—	—	—
Convertible bonds	174,987	202,197	56,000	146,197	—	—
Lease liabilities	5,283	6,056	1,533	1,473	1,279	1,771
	190,015	217,998	67,278	147,670	1,279	1,771

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) *Liquidity risk (Continued)*

	2021					
	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 years but within 5 years HK$'000	Over 5 years HK$'000
Accrued expenses, other payables and deposits received	9,739	9,739	9,739	—	—	—
Convertible bonds	281,198	308,532	104,832	203,700	—	—
Lease liabilities	5,624	6,646	1,663	835	1,961	2,187
	296,561	324,917	116,234	204,535	1,961	2,187

(d) *Fair value measurements recognised in the consolidated statement of financial position*

(i) Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

(ii) Financial instruments measured at fair value

Financial 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 i.e. 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 i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(ii) Financial instruments measured at fair value *(Continued)*

Financial value hierarchy (Continued)

As at 31 December 2022 and 2021, the financial instruments measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Fair value as at 31 December 2022	**Fair value measurements as at 31 December 2022 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets:				
Listed equity investment at FVTPL	**575**	**575**	**—**	**—**

	Fair value as at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Assets:				
Unlisted equity investment at FVTOCI	8,576	—	—	8,576
Listed equity investment at FVTPL	5,626	5,626	—	—
	14,202	5,626	—	8,576

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

36. ADDITIONAL INFORMATION ON CASH FLOWS

a. *Movement of the Group's liabilities arising from financing activities*

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

	Amount due to a director HK$'000	Convertible bonds HK$'000	Lease liabilities HK$'000	Dividends payable to non-controlling interests HK$'000	Total HK$'000
As at 1 January 2022	—	281,198	5,624	—	286,822
Financing cash flows (Note)	2,160	(84,122)	(1,692)	(1,826)	(85,480)
Additions to right-of-use assets	—	—	1,506	—	1,506
Finance costs recognised	—	25,485	193	—	25,678
Gain on early redemption	—	(5,190)	—	—	(5,190)
Gain on extinguishment of bond payables and liability components of convertible bonds	—	(26,944)	—	—	(26,944)
Conversion of convertible bonds	—	(7,094)	—	—	(7,094)
Deemed capital contribution arising from bond payables	—	(13,006)	—	—	(13,006)
Deemed capital contribution arising from liability portion of convertible bonds	—	(4,742)	—	—	(4,742)
Cash flows related to equity component of convertible bonds	—	9,402	—	—	9,402
Declaration of dividends	—	—	—	1,826	1,826
Exchange realignments	—	—	(348)	—	(348)
As at 31 December 2022	2,160	174,987	5,283	—	182,430

36. ADDITIONAL INFORMATION ON CASH FLOWS *(Continued)*

a. *Movement of the Group's liabilities arising from financing activities (Continued)*

	Promissory notes HK$'000	Convertible bonds HK$'000	Lease liabilities HK$'000	Dividends payable to non-controlling interests HK$'000	Total HK$'000
As at 1 January 2021	5,334	422,921	5,551	580	434,386
Financing cash flows (Note)	(5,443)	(180,823)	(1,856)	(1,180)	(189,302)
Additions to right-of-use assets	—	—	1,810	—	1,810
Finance costs recognised	109	39,226	230	—	39,565
Gain on early redemption	—	(126)	—	—	(126)
Early termination of a lease	—	—	(252)	—	(252)
Declaration of dividends	—	—	—	590	590
Exchange realignments	—	—	141	10	151
As at 31 December 2021	—	281,198	5,624	—	286,822

Note: The financing cash flows represented in the net cash flow of advance from a director, payment of finance costs, leases and dividends and repayment of promissory notes and convertible bonds.

b. *Major non-cash transactions*

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

(a) During the year ended 31 December 2022, the Group entered into lease agreements in respect of right-of-use assets with a total capital value at the inception of the leases of approximately HK$1,506,000 (2021: HK$1,810,000).

(b) On 31 December 2021, the Group has disposed its listed equity instruments of approximately HK$7,073,000. The net proceeds are yet to be received by the Group and included in the prepayments, deposits and other receivables (Note 23).

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**5**	6
Right-of-use assets		**1,497**	824
Interests in subsidiaries	18	**1**	1
Amounts due from subsidiaries	18	**227,121**	332,532
Total non-current assets		**228,624**	333,363
Current assets			
Prepayments, deposits and other receivables		**945**	864
Cash and cash equivalents		**10,913**	11,484
Total current assets		**11,858**	12,348
Current liabilities			
Accrued expenses and other payables		**1,930**	2,489
Amount due to a director		**2,160**	—
Convertible bonds — liability component	27	**50,588**	99,731
Lease liabilities		**753**	845
Total current liabilities		**55,431**	103,065
Net current liabilities		**(43,573)**	(90,717)
Total assets less current liabilities		**185,051**	242,646
Non-current liabilities			
Convertible bonds — liability component	27	**124,399**	181,467
Lease liabilities		**690**	—
Total non-current liabilities		**125,089**	181,467
Net assets		**59,962**	61,179
Capital and reserves			
Issued capital	29	**58,091**	50,591
Reserves	(a)	**1,871**	10,588
Total equity		**59,962**	61,179

The statement of financial position was approved and authorised for issue by the Board of Directors on 21 March 2023 and signed on its behalf by

Zhang Wei
Director

Li Wei
Director

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2021	625,385	131,109	282,885	9,282	(1,084,223)	(35,562)
Loss and total comprehensive expense for the year	—	—	—	—	(14,616)	(14,616)
Transactions with owners						
Issue of new shares upon rights issue (Note 29)	43,955	—	—	—	—	43,955
Issue of new shares upon placing (Note 29)	16,813	—	—	—	—	16,813
Deemed capital contribution arising from liability portion of convertible bonds (Note 27)	—	—	4,002	—	—	4,002
Redemption of 2022 CB by cash (Note 27)	—	—	—	(3,235)	(769)	(4,004)
Transactions with owners	60,768	—	4,002	(3,235)	(769)	60,766
As at 31 December 2021	686,153	131,109	286,887	6,047	(1,099,608)	10,588
Loss and total comprehensive expense for the year	—	—	—	—	(16,659)	(16,659)
Transactions with owners						
Deemed capital contribution arising from liability portion of convertible bonds (Note 27)	—	—	4,742	—	—	4,742
Deemed capital contribution arising from bond payables (Note 27)	—	—	13,006	—	—	13,006
Transferred to accumulated losses upon mature of 2022 CB (Note 27)	—	—	—	(1,713)	1,713	—
Extinguishment of 2023 CB (Note 27)	—	—	—	(4,141)	4,141	—
Recognition of New 2022 CB and New 2023 CB (Note 27)	—	—	—	33,357	(33,357)	—
Redemption of 2023 CB by cash (Note 27)	—	—	—	(193)	(52)	(245)
Redemption of New 2022 CB and New 2023 CB by cash (Note 27)	—	—	—	(10,239)	1,084	(9,155)
Conversion of New 2022 CB (Note 27)	619	—	—	(1,025)	—	(406)
Transactions with owners	619	—	17,748	16,046	(26,471)	7,942
As at 31 December 2022	686,772	131,109	304,635	22,093	(1,142,738)	1,871

38. EVENTS AFTER THE REPORTING DATE

In addition to information disclosed elsewhere in the consolidated financial statements, subsequent to 31 December 2022, the Group has the following subsequent events:

(a) On 31 January 2023, part of the New 2022 CB at a conversion price of HK$0.05 per share with principal amount of HK$5,000,000 had been converted into 100,000,000 new ordinary shares of the Company.

(b) On 23 February 2023, the Company implemented the capital reorganisation (the "**Capital Reorganisation**"), which involved the following:

i) every 20 existing shares were consolidated into 1 consolidated share (the "**Share Consolidation**");

ii) the issued share capital of the Company was reduced by cancelling paid up capital of the Company to the extent of HK$0.99 on each of the then consolidated shares such that the par value of each issued consolidated share was reduced from HK$1.0 to HK$0.01 (the "**Capital Reduction**");

iii) each authorised but unissued consolidated share of HK$1.0 (including the unissued shares arising from the Capital Reduction) was sub-divided into 100 new shares of HK$0.01 each; and

iv) the transfer of all the credits arising from the Capital Reduction to the contributed surplus account of the Company.

On 23 February 2023, the Company has 63,091,461 consolidated shares in issue and a credit of approximately HK$62,460,000 arising from the Capital Reduction was transferred to the contributed surplus account of the Company.

Upon the Capital Reorganisation became effective on 23 February 2023, the authorised share capital of the Company remains at HK$1,000,000,000, which is divided into 100,000,000,000 ordinary shares and the conversion price of New 2022 CB and New 2023 CB is adjusted from HK$0.05 per ordinary share to HK$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**46,483**	45,376	41,595	62,550	85,721
Loss before income tax	**(1,285)**	(8,413)	(77,963)	(20,208)	(23,170)
Income tax expense	**(2,996)**	(15,624)	(257)	(10,946)	(6,122)
Loss attributable to:					
Owners of the Company	**(7,626)**	(19,017)	(75,952)	(36,849)	(29,625)
Non-controlling interests	**3,345**	(5,020)	(2,268)	5,695	333
Loss for the year	**(4,281)**	(24,037)	(78,220)	(31,154)	(29,292)

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**39,373**	48,572	54,843	46,844	37,302
Current assets	**255,487**	367,931	415,907	528,631	496,477
Current liabilities	**65,371**	113,187	17,667	39,324	407,580
Net current assets	**190,116**	254,744	398,240	489,307	88,897
Non-current liabilities	**128,174**	185,452	427,064	465,164	203,276
Total equity/(Capital deficiency)	**101,315**	117,864	26,019	70,987	(77,077)

PARTICULARS OF PROPERTIES HELD FOR INVESTMENT

As at 31 December 2022

INVESTMENT PROPERTIES

Location	Term of lease	Type of use
1. Unit 501, Block 3, Building No.43, Yanhu Estate, Miyun District, Beijing, the PRC	Medium-term lease	Residential
2. Unit 601, Block 3, Building No.42, Yanhu Estate, Miyun District, Beijing, the PRC	Medium-term lease	Residential