Annual Report 2021

中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 235)

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	Board of Directors of the Company
"Company"	China Strategic Holdings Limited
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	People's Republic of China
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s)
"US$"	United States dollars
"%"	per cent.

The Chinese version of this annual report is a translation of the English version and is for reference only, in case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Dr. Or Ching Fai *SBS, JP (Chairman)*

Executive Directors

Mr. Sue Ka Lok *(Chief Executive Officer)*
Mr. Chow Kam Wah
Mr. Chow Man Wai, Tony

Independent Non-executive Directors

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying
Mr. Lam Kin Fung, Jeffrey *GBS, JP*

AUDIT COMMITTEE

Ms. Ma Yin Fan *(Chairlady)*
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying
Mr. Lam Kin Fung, Jeffrey *GBS, JP*

REMUNERATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

NOMINATION COMMITTEE

Dr. Or Ching Fai *SBS, JP (Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

EXECUTIVE COMMITTEE

Mr. Sue Ka Lok *(Chairman)*
Mr. Chow Kam Wah
Mr. Chow Man Wai, Tony

INVESTMENT & CREDIT COMMITTEE

Mr. Sue Ka Lok *(Chairman)*
Mr. Chow Kam Wah

COMPANY SECRETARY

Mr. Sue Ka Lok

REGISTERED OFFICE

Rooms 3206-3210, 32nd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of Communications (Hong Kong) Limited

LEGAL ADVISERS

Reed Smith Richards Butler
Stevenson, Wong & Co.

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SHARE REGISTRAR AND TRANSFER OFFICE

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

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 235)

WEBSITE

http://www.cshldgs.com

Chairman's Statement

On behalf of the Board, I hereby present to the shareholders the results of the Group for the year ended 31 December 2021 ("FY2021").

RESULTS

During FY2021, the Group was principally engaged in the business of investment in securities, trading of coke products, money lending as well as securities brokerage.

During the year, the Group continued to face the unprecedented business challenges brought by the prolonged continuance of the COVID-19 epidemic and the market uncertainties resulted from the heightened political and economic tensions between China and the US. Economic activities in Hong Kong were slowed down owing to restrictive measures imposed by the government on social distancing among citizens, mode of business operation and entry of overseas travellers. The Group was operating in a complex business environment during FY2021 with the result that the management had adopted a cautious and disciplined approach in managing the Group's businesses. For FY2021, the Group recorded an increase in revenue by 65% to HK$423,994,000 (2020: HK$256,347,000), mainly due to the increase in sales of the trading operation, and a loss attributable to owners of the Company of HK$3,583,297,000 (2020: profit of HK$2,283,187,000), largely resulted from the overall loss of its securities investments of HK$3,970,273,000 (2020: profit of HK$2,939,628,000). Basic loss per share for the year was HK17.58 cents (2020: basic earnings per share of HK13.29 cents).

The Group reported a total comprehensive expense attributable to owners of the Company of HK$3,535,049,000 (2020: total comprehensive income of HK$2,294,579,000) which included a net fair value loss on debt securities of HK$268,398,000 (2020: HK$29,768,000).

PROSPECTS

With the growing vaccination coverage on the population, the epidemic situation in Hong Kong was once stabilised and under control. However, the recent outbreak of Omicron in Hong Kong followed by a sudden surge of infected cases has put the local economy in a very difficult operating environment. Moreover, the conflict between Russia and Ukraine has also caused a lot of volatilities in the global capital and commodity markets. Against the backdrop of this uncertain economic environment, the Group's management will continue to adopt a cautious and disciplined approach in managing the businesses of the Group, as well as in seizing new business and investment opportunities. The Group is still continuing with its evaluation process of acquiring the equity interests in a target company engaging in insurance business in Hong Kong, with the intent to diversify its businesses and income base. Announcements will be made to inform shareholders as and when there is further material development of this investment opportunity.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all shareholders, investors, bankers, business associates and customers for their continuing support to the Group, to my fellow directors for their valuable services, and to all staff members for their hard work and dedications during the past year.

Dr. Or Ching Fai
Chairman

Hong Kong, 28 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

During FY2021, the Group was principally engaged in the business of investment in securities, trading of coke products, money lending as well as securities brokerage.

During the year, the Group continued to face the unprecedented business challenges brought by the prolonged continuance of the COVID-19 epidemic and the market uncertainties resulted from the heightened political and economic tensions between China and the US. Economic activities in Hong Kong were slowed down owing to restrictive measures imposed by the government on social distancing among citizens, mode of business operation and entry of overseas travellers. The Group was operating in a complex business environment during FY2021 with the result that the management had adopted a cautious and disciplined approach in managing the Group's businesses. For FY2021, the Group recorded an increase in revenue by 65% to HK$423,994,000 (2020: HK$256,347,000), mainly due to the increase in sales of the trading operation, and a loss attributable to owners of the Company of HK$3,583,297,000 (2020: profit of HK$2,283,187,000), largely resulted from the overall loss of its securities investments of HK$3,970,273,000 (2020: profit of HK$2,939,628,000).

Investment in Securities

The Group generally acquires securities listed on the Hong Kong Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospects, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 31 December 2021, the Group's securities investments comprised (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio comprising mainly equity securities listed in Hong Kong valued at HK$26,632,000 (2020: HK$4,073,317,000); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio comprising debt securities listed in overseas (2020: Hong Kong or overseas) stock exchange valued at HK$63,960,000 (2020: HK$401,813,000). As a whole, the Group's securities investments recorded a revenue of HK$38,471,000 (2020: HK$64,931,000) and a loss of HK$3,970,273,000 (2020: profit of HK$2,939,628,000).

Financial assets at FVTPL

At 31 December 2021, the Group held a financial asset at FVTPL portfolio amounting to HK$26,632,000 measured at market/fair value. During FY2021, the portfolio generated a revenue of HK$987,000 (2020: HK$7,033,000) representing dividends from equity securities. The Group recognised a net loss on financial assets at FVTPL of HK$3,674,811,000, which comprised net unrealised loss and net realised loss of HK$4,885,000 and HK$3,669,926,000 respectively (2020: net gain of HK$2,905,676,000, which comprised net unrealised gain and net realised loss of HK$2,979,472,000 and HK$73,796,000 respectively).

The net loss on financial assets at FVTPL represented mainly the net realised loss on disposal of the Group's listed equity investments during FY2021. Such net realised loss mainly comprised the loss on disposal of the Group's investment in listed shares of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle", HKEX stock code: 708) amounting to HK$3,684,532,000, which was in sharp contrast to the increase in fair value of the same block of shares of HK$2,996,648,000 recognised in last year.

The Group started to invest in Evergrande Vehicle since March 2015 and the accumulative holding gain of this investment amounted to HK$3,815,408,000 up to 31 December 2020. At the prior year end, the Group held 133,600,000 ordinary shares in Evergrande Vehicle (the "Evergrande Vehicle Shares") with a total carrying value of HK$4,034,720,000. Upon the disposals of the whole block of the Evergrande Vehicle Shares held (the "Disposed Evergrande Vehicle Shares") and received the net proceeds of HK$350,188,000 during FY2021, the Group realised a loss of HK$3,684,532,000 (as aforementioned) when comparing against the carrying value of the Disposed Evergrande Vehicle Shares of HK$4,034,720,000 standing in the books of the Group as at 31 December 2020. As an illustration, if the net proceeds of HK$350,188,000 is compared against the historical acquisition costs of the Disposed Evergrande Vehicle Shares of HK$219,312,000, the Group would have realised a profit of HK$130,876,000 upon the disposal, this amount effectively represents the realisation of the cumulative holding gain of the Disposed Evergrande Vehicle Shares of HK$3,815,408,000 as at 31 December 2020 after setting off the realised loss on disposal of the Disposed Evergrande Vehicles Shares during FY2021 of HK$3,684,532,000. Further details of the disposals of the 133,600,000 Evergrande Vehicle Shares in aggregation were contained in the Company's announcements dated 21 September 2021 and 29 September 2021 and the Company's circular dated 29 October 2021.

The Group is committed to closely monitor the financial performance of its financial asset at FVTPL portfolio through making investment and divestment decisions on individual securities from time to time based on, amongst others, the internal assessments on prospects of the individual securities and publicly available information of the investee companies.

At 31 December 2021, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK$26,632,000 were as below:

Category of companies	**Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio** **%**
Property	88.38
Conglomerate	8.73
Others	2.89
	100.00

At 31 December 2021, the weightings of the Group's major and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK$26,632,000 (together with other information) were as below:

Investee company's name and its principal activities#	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2021 %	% of shareholding interest %	*Acquisition costs during the year/ carrying amount at 1 January 2021 HK$'000	Market/fair value at 31 December 2021 HK$'000	Unrealised loss recognised during the year ended 31 December 2021 HK$'000	Dividend income recognised during the year ended 31 December 2021 HK$'000	#Investee company's financial performance	#Future prospects of the investee company
				A	B	C = B – A			
Emperor International Holdings Limited ("Emperor") (HKEX stock code: 163)									
Property investment and development and hospitality businesses	88.38	0.74	0.69	27,839	23,537	(4,302)	976	For the six months ended 30 September 2021, revenue increased by 118% to HK$1,392,682,000 and its results experienced a turnaround and recorded a profit for the period of HK$188,894,000 as compared to the loss of HK$1,067,484,000 incurred in the same period in 2020.	For property investment business, the investee company possesses a geographically balanced property portfolio which focuses on commercial buildings and quality street-level retail spaces in prominent locations. For property sales business, it pursues a strategy of providing quality residential properties including luxury composite buildings in popular urban areas, and low-rise detached houses in unique spots.
Others	11.62	0.10	N/A	3,678	3,095	(583)	11	–	–
	100.00	0.84		31,517	26,632	(4,885)	987		

\# Extracted from published financial information of the investee company.

* The amount represented the costs of the securities acquired during the year ended 31 December 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The table below set out the realised gain (loss) on financial assets at FVTPL disposed of during the year ended 31 December 2021:

Company name	#Principal activities of investee company	*Acquisition costs during the year/ carrying amount at 1 January 2021 HK$'000	Sale proceeds of financial assets at FVTPL sold during the year ended 31 December 2021 HK$'000	Realised gain (loss) recognised during the year ended 31 December 2021 HK$'000
Equity securities listed in Hong Kong				
Evergrande Vehicle	Technology research and development, production and sales of new energy vehicles, as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation	4,034,720	350,188	(3,684,532)
Emperor	Property investment and development and hospitality businesses	1,980	1,920	(60)
Others	–	5,400	20,066	14,666
		4,042,100	**372,174**	**(3,669,926)**

\# Extracted from published financial information of the investee companies.

* The amount represented the costs of the securities acquired during the year ended 31 December 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

Debt instruments at FVTOCI

At 31 December 2021, the Group's debt instrument at FVTOCI portfolio of HK$63,960,000 was measured at market/fair value. During FY2021, the Group's debt instrument at FVTOCI portfolio generated a revenue of HK$37,484,000 (2020: HK$57,898,000), representing interest income from debt securities. According to the maturity profile of the debt securities, the debt instruments at FVTOCI were classified as non-current assets.

At the year end, primarily owing to a fall in market/fair value of the debt instruments, a net fair value loss on the debt instrument at FVTOCI portfolio of HK$268,398,000 (2020: HK$29,768,000) was recognised as other comprehensive expense.

During FY2021, the Group received proceeds from disposal of debt securities amounting to HK$69,455,000 (2020: HK$525,780,000) and a loss on disposal of HK$78,780,000 (2020: HK$17,079,000) was released from the Group's investment revaluation reserve and recognised as a loss for the year.

For FY2021, the Group recognised impairment loss of HK$253,348,000 (2020: HK$18,873,000) on debt instruments at FVTOCI as the credit risks of these debt instruments had increased significantly since initial recognition. During FY2021, the credit ratings of these debt instruments, which were corporate bonds issued by a property company based in the Mainland, were downgraded by the rating agencies as the credit risks of these bonds had increased significantly due to the bond issuer's defaults in making interest and principal payments for its indebtedness. As the Group expected the financial uncertainties of this bond issuer would ultimately affect the collection of contractual cash flows of these bonds, an allowance for credit losses on debt instruments at FVTOCI of HK$253,348,000 was recognised in profit or loss with a corresponding adjustment to other comprehensive income.

The Group had engaged an independent professional valuer to perform an impairment assessment on the debt instruments held under the expected credit loss ("ECL") model. The measurement of ECL is a function of the probability of default and loss given default (i.e. the magnitude of the loss if there is a default), with the assessment of the probability of default and loss given default is based on historical data and forward-looking information. The estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, and also with reference to the time value of money. In determining ECL on the Group's debt instruments for the year, the management had work closely with the independent professional valuer and taking into accounts factors including the downgrading of credit rating of the debt instruments by the rating agencies, the defaults of the bond issuer in making payments of interest and principal for its indebtedness, and forward-looking information including the future macro-economic conditions at places where the bond issuer is operating. There was no change in the method used in determining the impairment allowance on debt instruments at FVTOCI from last year. Further details of the credit risk and impairment assessment on the debt instruments at FVTOCI are contained in Note 35 to the consolidated financial statements.

At 31 December 2021, the Group invested in the debt securities of a Mainland based property company with details as below:

Category of company	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2021 %	Yield to maturity on acquisition %	Acquisition costs HK$'000	*Acquisition costs during the year/ carrying amount at 1 January 2021 HK$'000	Market/fair value at 31 December 2021 HK$'000	Accumulated fair value loss recognised up to 31 December 2021 HK$'000	Fair value loss recognised during the year ended 31 December 2021 HK$'000
			A	B	C	D = C - A	E = C - B
Debt securities listed overseas							
Property	2.02	9.50	312,000	273,315	63,960	(248,040)	(209,355)

* The amount represented the costs of the securities acquired during the year ended 31 December 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

Trading

During FY2021, the Group's trading operation was focused on the trading of coke products. The operation reported an increase in revenue of over 53 times to HK$222,394,000 (2020: HK$4,062,000) and a turnaround in results by posting a profit of HK$180,000 (2020: loss of HK$165,000). The improvements in financial performance of the operation were mainly due to the resumption of the commodities trading business which in turn was a result of the general improvement of market conditions in Europe. The management will continue stepping up its effort to explore new business opportunities in order to further improve the results of the operation.

Money Lending

The Group's money lending business is conducted through CS Credit Limited, U Credit (HK) Limited and Chap Yik Limited, all are wholly-owned subsidiaries of the Company, and are licensed to conduct money lending activities under the Money Lenders Ordinance. The Group aims to make loans that could be covered by sufficient collaterals, preferably commercial and residential properties in Hong Kong, and to borrowers with good credit history. The Group has a stable source of loan deals from its own business network and its marketing agents. For FY2021, the operation recorded a decrease in revenue of 17% to HK$150,330,000 (2020: HK$180,764,000) while its results experienced a turnaround by recording a profit of HK$123,434,000 (2020: loss of HK$27,348,000). The decrease in revenue was mainly due to the lower average amount of loans advanced to borrowers during FY2021 whilst the turnaround in operating results was mainly due to the decrease in net impairment allowance by 90% to HK$20,347,000 (2020: HK$202,923,000).

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (i.e. the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the properties and assets pledged to the Group as collaterals are performed by independent professional valuers engaged by the Group at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. For FY2021, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collaterals pledged to the Group, and forward-looking information including the future macro-economic conditions affecting the borrowers (the negative impact of the COVID-19 pandemic on the state of the Hong Kong economy had also been considered).

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral value reviews against market information and regular communication with the borrowers of their financial position, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and taking possession of the collaterals pledged. At the year end, the balance of the impairment allowance was reduced by 31% or HK$116,713,000 to HK$256,541,000 (2020: HK$373,254,000), of which a sum of HK$103,089,000 was impairment allowance for the current year, a sum of HK$82,742,000 was reversal of allowance owing to settlement of loans and improvement in credit quality of the borrowers, and a sum of HK$163,720,000 was related to the write-off of long overdue loans with no realistic prospect of recovery. Further details of the credit risk and impairment assessment on the loan receivables are contained in Note 35 to the consolidated financial statements.

Management Discussion and Analysis

The size of the Group's loan portfolio was reduced during the year as the management has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong. The carrying value of the loan portfolio, after impairment allowance, amounted to HK$1,234,675,000 (2020: HK$1,448,295,000) at the year end with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	37.85	10.125 – 18.00	Within one year
Corporate	62.15	8.50 – 18.00	Within one year
	100.00		

At 31 December 2021, 99% (2020: 99%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals including properties in Hong Kong, listed equity securities and debt securities, with the remaining 1% (2020: 1%) being unsecured. At the year end, the loans made to all borrowers were term loans with maturity within one year, and the loan made to the largest borrower and the five largest borrowers accounted for 25% and 60% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

The Group has clear credit policies, guidelines, controls and procedures in place which cover every aspect of a lending process including (i) information verification, (ii) credit assessment, (iii) execution of loan documentations, (iv) continuous loan monitoring and (v) collection, recovery and enforcement. Before granting loans to potential customers, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit assessment process encompasses detailed assessment on the credit history and financial background of the borrowers, as well as the value and characteristics of the collaterals to be pledged. The credit limit of loans successfully granted to the borrowers will be subject to regular credit review by the management as part of the ongoing loan monitoring process.

The following is a summary of the key internal controls of the Group's money lending operation:

Information Verification

Information provided by the loan applicant including financial statements and income proof will be checked and verified by the designated loan officer, where appropriate, legal, credit and bankruptcy search on the loan applicant, and land search and site visit on the property offered as collateral, will be conducted.

Credit Assessment

Detailed assessment on the credit history and financial background of the loan applicant, as well as the value and characteristics of the collateral to be pledged, will be conducted. There will be credit assessment including analysis on the repayment ability and credit history of the loan applicant, and analysis on the potential recovery upon realisation of the collateral. The credit assessment process will be conducted by the designated loan officer and reviewed by the designated loan manager.

Execution of Loan Documentations

If a loan application is approved by the respective board of directors of the Group's money-lending subsidiaries, the designated loan officer and loan manager will arrange preparation and proper execution of the loan documentations, usually with the support of professional lawyers.

Continuous Loan Monitoring

There will be continuous monitoring on the repayments from borrower, regular communication with the borrower, and regular review on credit limit of the loan granted and market value of the collateral pledged performed by the designated loan officer and manager.

Collection, Recovery and Enforcement

Reminder and legal demand letter will be issued to the borrower if there is overdue repayment. Where appropriate, legal action will be initiated against the borrower for the recovery of the amount due and taking possession of the collateral pledged.

Securities Brokerage

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company licensed by the Hong Kong Securities and Futures Commission to engage in dealing in securities activities. During FY2021, revenue and profit of the operation increased by 94% to HK$12,799,000 (2020: HK$6,590,000) and 147% to HK$9,084,000 (2020: HK$3,671,000) respectively. The increase in revenue of the operation was the combined effect of the increase in its brokerage commission income, which rose by 20% to HK$6,173,000 (2020: HK$5,128,000) owing to the general improvement in investment sentiments of the Hong Kong stock market during FY2021, and the increase in its interest income from margin financing, which rose by about 5 times to HK$6,626,000 (2020: HK$1,125,000) owing to its enlarged margin financing portfolio throughout FY2021 that amounted to HK$119,633,000 (2020: HK$100,153,000) at the year end.

Overall Results

For FY2021, the Group recorded loss attributable to owners of the Company of HK$3,583,297,000 (2020: profit of HK$2,283,187,000) and basic loss per share of 17.58 cents (2020: basic earnings per share of HK13.29 cents). The Group reported total comprehensive expense attributable to owners of the Company of HK$3,535,049,000 (2020: total comprehensive income of HK$2,294,579,000) which included a net fair value loss on debt securities of HK$268,398,000 (2020: HK$29,768,000). The loss results recorded by the Group were mainly attributed to the substantial overall loss recognised for the Group's securities investments of HK$3,970,273,000 (2020: profit of HK$2,939,628,000), though its loss results were partly offset by the profitable results of the money lending operation of HK$123,434,000 (2020: loss of HK$27,348,000), the securities brokerage operation of HK$9,084,000 (2020: HK$3,671,000) and the trading operation of HK$180,000 (2020: loss of HK$165,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For FY2021, the Group financed its businesses mainly by funds generated from operations, credit facilities available from financial institutions and securities brokers, and funds raised through issuance of interest bearing notes. At the year end, the Group had current assets of HK$3,026,378,000 (2020: HK$8,000,306,000) and liquid assets comprising bank balances and cash as well as listed financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK$1,535,484,000 (2020: HK$6,314,049,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$737,990,000 (2020: HK$1,611,842,000), was at a ratio of about 4.1 (2020: 5.0).

At 31 December 2021, the Group's trade and other receivables amounted to HK$234,712,000 (2020: HK$175,487,000), which mainly comprised trade receivables from margin clients of the securities brokerage business of HK$119,633,000 (2020: HK$100,153,000). Since the market value of securities pledged by clients to the Group as collaterals amounted to HK$1,501,969,000 (2020: HK$2,062,243,000) and far exceeded the margin client receivables on an individual basis, no impairment allowance had been provided on these receivables accordingly. At the year end, the Group had deferred tax assets amounting to HK$29,856,000 (2020: HK$27,067,000) and nil deferred tax liabilities (2020: HK$435,393,000), which were principally related to the allowance for ECL of loan receivables, net unrealised gain on financial assets at FVTPL valued at market/fair value and unused tax losses at the year end.

At 31 December 2021, the equity attributable to owners of the Company amounted to HK$2,414,080,000 (2020: HK$5,939,048,000) and was equivalent to an amount of approximately HK11.84 cents (2020: HK29.13 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK$3,524,968,000 was mainly a result of the loss recognised by the Group during the year.

At 31 December 2021, the Group had no borrowings as all borrowings were fully settled during the year. At 31 December 2020, the Group's borrowings represented short-term secured borrowings that bore interests at fixed or floating rate and were repayable within one year or on demand.

During the second half of 2020, the Company issued four tranches of notes comprising (i) the 2-year unsecured notes with nominal value of HK$500,000,000 bearing interest of 5.5% per annum in July 2020 (the "July 2020 Notes"); (ii) the 1-year unsecured notes with nominal value of HK$500,000,000 bearing interest of 3.0% per annum in August 2020 (the "August 2020 Notes"); (iii) the 270-day unsecured notes with nominal value of HK$500,000,000 bearing interest of 2.0% per annum in September 2020 (the "September 2020 Notes"); and (iv) the 270-day unsecured notes with nominal value of HK$200,000,000 bearing interest of 2.0% per annum in October 2020 (the "October 2020 Notes"). All the four tranches of notes carrying options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with the interest accrued and unpaid at the date fixed for redemption. In June 2021, the Company executed a supplemental deed poll to extend the maturity date of the September 2020 Notes to 15 March 2022. In July 2021, the Company executed another supplemental deed poll to extend the maturity date of the October 2020 Notes to 22 April 2022. In August 2021, both the July 2020 Notes and the August 2020 Notes were early redeemed.

The Group's gearing ratio, calculated on the basis of total liabilities of HK$745,882,000 (2020: HK$2,542,650,000) divided by the equity attributable to owners of the Company of HK$2,414,080,000 (2020: HK$5,939,048,000), was about 31% (2020: 43%). The decrease in the Group's gearing ratio was mainly due to the decreases in borrowings, notes payable and deferred tax liabilities during the year. The Group's finance costs decreased to HK$111,713,000 (2020: HK$158,640,000) were primarily a result of the decreases in the average amount of borrowings and notes payable during the year.

With the amount of liquid assets on hand as well as credit facilities granted by banks and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During FY2021, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

Contingent Liability

At 31 December 2021, the Group had no significant contingent liability (2020: nil).

Pledge of Assets

At 31 December 2021, the credit facility for settlement of the Group's securities brokerage activities was secured by the Group's bank deposits of HK$3,096,000 (2020: HK$3,096,000).

At 31 December 2020, property, plant and equipment of HK$17,042,000, club debentures of HK$1,453,000, debt securities of HK$401,813,000, trade and other receivables of HK$66,670,000, equity securities of HK$4,073,317,000 and bank balances and cash of HK$109,252,000 were pledged to secure the Group's borrowings.

Capital Commitment

At 31 December 2021, the Group had no significant capital commitment (2020: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2021, the Group had 48 (2020: 60) employees including directors of the Company and staff costs (including directors' emoluments) for the year amounted to HK$30,537,000 (2020: HK$27,630,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

The Group's contributions to the MPF Scheme vest fully and immediately with the employees, thus there were no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in the business of investment in securities, trading of coke products, money lending as well as securities brokerage. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

Business Risk

The global economic conditions and the state of international financial and investment markets, including the economy, financial and investment markets of the US, Mainland China and Hong Kong, of which the Group has no control, have significant influences on the business and financial performance of the Group. The management policy to mitigate this risk is to diversify the Group's businesses and to diversify its investments (where possible) within the same business.

Market Risk

The Group's money lending business, trading of coke products business as well as securities brokerage business are all operating in a very competitive environment that put pressure on the revenue and profitability of these businesses. The management policy to mitigate this risk is to continue to put effort in enlarging the market share and enhancing the market competitiveness of these businesses by various means.

Financial Risk

The Group is exposed to financial risks relating to interest rate, securities price, foreign currency, credit and liquidity risk in its ordinary course of business. Further details of such risks and relevant management policies are set out in Note 35 to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During FY2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationships with its employees, customers and suppliers to meet its immediate and long-term business goals. During FY2021, there were no significant disputes between the Group and its employees, customers and suppliers.

Biographical Details of Directors

The biographical details of Directors at 28 March 2022, the date of this annual report, are set out below:

NON-EXECUTIVE DIRECTOR

Dr. Or Ching Fai *SBS, JP* ("Dr. Or"), *Chairman*

Aged 72, joined the Company as Executive Director and the Chief Executive Officer in November 2009 and was appointed the Chairman of the Board in March 2012. Dr. Or stepped down from his position as Chief Executive Officer in January 2018 and was re-designated as Non-executive Director in April 2018. Dr. Or is the Chairman of the Nomination Committee and is also a director of certain subsidiaries of the Company. Dr. Or graduated from The University of Hong Kong in 1972 and was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in November 2014. Dr. Or is an independent non-executive director of Chow Tai Fook Jewellery Group Limited (HKEX stock code: 1929), Regina Miracle International (Holdings) Limited (HKEX stock code: 2199) and Playmates Holdings Limited (HKEX stock code: 635). He was the former vice chairman and chief executive of Hang Seng Bank Limited (HKEX stock code: 11), the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited (HKEX stock code: 293) and Hutchison Whampoa Limited (former HKEX stock code: 13 (delisted)) until his retirement in May 2009. Dr. Or was also the chairman and non-executive director of Esprit Holdings Limited (HKEX stock code: 330), the former vice chairman and independent non-executive director of G-Resources Group Limited (HKEX stock code: 1051), an independent non-executive director of Industrial and Commercial Bank of China Limited (HKEX stock code: 1398) and Television Broadcasts Limited (HKEX stock code: 511), and the former deputy chairman and non-executive director of Aquis Entertainment Limited (ASX stock code: AQS) (a company listed on the Australian Securities Exchange Limited). All the aforementioned companies with HKEX stock code are/was listed on the Main Board of the Hong Kong Stock Exchange.

EXECUTIVE DIRECTORS

Mr. Sue Ka Lok ("Mr. Sue"), *Chief Executive Officer*

Aged 56, joined the Group in November 2014 and was appointed as Executive Director and the Chief Executive Officer in December 2014 and January 2018 respectively. He was the Company Secretary of the Company until May 2017 and re-appointed as the Company Secretary in November 2021. Mr. Sue is the Chairman of the Executive Committee and the Investment & Credit Committee. He is also a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director of EPI (Holdings) Limited (HKEX stock code: 689), an executive director and the chairman of Courage Investment Group Limited ("Courage Investment") (HKEX stock code: 1145), and a non-executive director of Birmingham Sports Holdings Limited (HKEX stock code: 2309). All the aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange and with Courage Investment is also listed on Singapore Exchange Securities Trading Limited.

EXECUTIVE DIRECTORS (continued)

Mr. Chow Kam Wah ("Mr. KW Chow")

Aged 59, joined the Company as Executive Director in July 2007. Mr. KW Chow is a member of the Executive Committee and the Investment & Credit Committee. He is also a director of certain subsidiaries of the Company. Mr. KW Chow holds a master's degree in accountancy from The Hong Kong Polytechnic University. He has over 30 years of managerial experience in finance and accounting. Mr. KW Chow is a certified practising accountant of the CPA Australia.

Mr. Chow Man Wai, Tony ("Mr. Tony Chow")

Aged 51, joined the Group in July 2020 and was appointed as Executive Director in December 2020. Mr. Tony Chow is a member of the Executive Committee. He holds a Bachelor of Commerce degree from Concordia University in Montreal, Canada. Mr. Tony Chow was a senior executive of China Life Insurance (Overseas) Company Limited and the chief executive officer of China Life Insurance (Singapore) Pte. Ltd., he was primarily responsible for the strategic development and business management of life insurance business in Hong Kong and Singapore. He has over 20 years of experience in life insurance industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan ("Ms. Ma")

Aged 58, joined the Company as Independent Non-executive Director in September 2007. Ms. Ma is the Chairlady of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Ms. Ma obtained a bachelor's degree with honours in accounting from Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University respectively. Ms. Ma is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas with more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is a fellow of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in the England and Wales, The Taxation Institute of Hong Kong, the Association of Chartered Certified Accountants, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Ma is an independent non-executive director of CST Group Limited (HKEX stock code: 985) and Youth Champ Financial Group Holdings Limited (HKEX stock code: 1160). All the aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Chow Yu Chun, Alexander ("Mr. Alexander Chow")

Aged 75, joined the Company as Independent Non-executive Director in March 2011. Mr. Alexander Chow is the Chairman of the Remuneration Committee and a member of the Audit Committee. He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Alexander Chow is an independent non-executive director of Playmates Toys Limited (HKEX stock code: 869) and Symphony Holdings Limited (HKEX stock code: 1223). All the aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Alexander Chow is also an independent non-executive director of Aquis Entertainment Limited (ASX stock code: AQS), a company listed on the Australian Securities Exchange Limited.

Mr. Leung Hoi Ying ("Mr. Leung")

Aged 71, joined the Company as Independent Non-executive Director in September 2007. Mr. Leung is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Leung graduated from Guangdong Foreign Trade School in the PRC. He has over 15 years of experience in trading business and business development. Mr. Leung is an independent non-executive director of CST Group Limited (HKEX stock code: 985), a company listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Lam Kin Fung, Jeffrey *GBS, JP* ("Mr. Lam")

Aged 70, joined the Company as Independent Non-executive Director in December 2020. Mr. Lam is a member of the Audit Committee. Mr. Lam holds a Bachelor Degree in mechanical engineering from Tufts University in the United States. He has over 40 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing. Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council of the Hong Kong Special Administrative Region, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, and a director of the Hong Kong Mortgage Corporation Limited. He was the former chairman of the Assessment Committee of Mega Events Fund and a member of Fight Crime Committee. Mr. Lam is an executive director of Hong Kong Aerospace Technology Group Limited (HKEX stock code: 1725) and an independent non-executive director of Chow Tai Fook Jewellery Group Limited (HKEX stock code: 1929), China Overseas Grand Oceans Group Limited (HKEX stock code: 81), Wynn Macau, Limited (HKEX stock code: 1128), CWT International Limited (HKEX stock code: 521), i-CABLE Communications Limited (HKEX stock code: 1097), Wing Tai Properties Limited (HKEX stock code: 369), Analogue Holdings Limited (HKEX stock code: 1977) and C C Land Holdings Limited (HKEX stock code: 1224). All the aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange.

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 39 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the review of the Group's businesses, the principal risks and uncertainties the Group facing, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future developments in the Group's businesses, the performance of the Group during the year with reference to key financial performance indicators, key relationships with employees, customers and suppliers, and compliance with laws and regulations, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 19 of this annual report, and the "Corporate Governance Report" set out on pages 31 to 42 of this annual report. These discussions form part of this directors' report. In addition, discussions on the Group's environmental policies and performance are contained in the "Environmental, Social and Governance Report" on pages 43 to 69 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 76.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 164. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 31 to the consolidated financial statements.

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

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

DISTRIBUTABLE RESERVE

At 31 December 2021, the Company had retained profits of HK$42,953,000 available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for approximately 68% of the revenue for the year and revenue from the largest customer accounted for approximately 52%. Purchases from the Group's five largest suppliers accounted for approximately 100% of the total purchases for the year and purchases from the largest supplier accounted for approximately 100%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Non-executive Director:

Dr. Or Ching Fai

Executive Directors:

Mr. Sue Ka Lok
Ms. Lee Chun Yeung, Catherine *(resigned on 30 July 2021)*
Mr. Chow Kam Wah
Mr. Chow Man Wai, Tony

Independent Non-executive Directors:

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying
Mr. Lam Kin Fung, Jeffrey

In accordance with Article 116 of the Company's Articles of Association, Dr. Or Ching Fai, Ms. Ma Yin Fan and Mr. Chow Yu Chun, Alexander will retire at the forthcoming annual general meeting of the Company (the "2022 AGM") by rotation and, being eligible, will offer themselves for re-election in the 2022 AGM.

The list of directors of the subsidiaries of the Company during the year and up to the date of this annual report is kept at the Company's registered office and available for inspection by shareholders of the Company during office hours.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to the statutes, every director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2022 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in Note 13 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

– Mr. Sue Ka Lok was appointed as executive director and the chairman of the board of Courage Investment Group Limited (HKEX stock code: 1145) (a company listed on the Main Board of the Hong Kong Stock Exchange and Singapore Exchange Securities Trading Limited) on 30 November 2021 and 1 January 2022 respectively.

– Mr. Lam Kin Fung, Jeffrey was appointed as executive director of Hong Kong Aerospace Technology Group Limited (HKEX stock code: 1725) (a company listed on the Main Board of the Hong Kong Stock Exchange) on 16 July 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party disclosures in Note 37 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme of the Company disclosed in Note 33 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 33 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2021, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholder	**Capacity and nature of interest**	**Number of shares held**	**Approximate percentage of the Company's issued shares** *(Note (i))*
Dr. Cheng Kar-Shun, Henry *GBM*, *GBS* ("Dr. Cheng")	Interest of controlled corporation	3,397,540,000 *(Note (ii))*	16.67%
Courage Star Global Limited ("Courage Star")	Beneficial owner	3,397,540,000 *(Note (ii))*	16.67%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	1,680,000,000 *(Note (iii))*	8.24%
Pioneer Success Development Limited ("Pioneer Success")	Beneficial owner	1,680,000,000 *(Note (iii))*	8.24%

Notes:

(i) The approximate percentage of the Company's issued shares was calculated on the basis of 20,385,253,835 shares of the Company in issue as at 31 December 2021.

(ii) These shares were held by Courage Star, which in turn was wholly owned by Dr. Cheng. Accordingly, Dr. Cheng and Courage Star were deemed to be interested in 3,397,540,000 shares of the Company under the SFO.

(iii) These shares were held by Pioneer Success, which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Pioneer Success were deemed to be interested in 1,680,000,000 shares of the Company under the SFO.

The interests of Dr. Cheng and Courage Star in 3,397,540,000 shares of the Company referred to in Note (ii) above related to the same parcel of shares.

The interests of Mr. Suen and Pioneer Success in 1,680,000,000 shares of the Company referred to in Note (iii) above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2021 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party disclosures in Note 37 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits include provident fund scheme, medical insurance, share option scheme as well as discretionary bonus.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in Note 33 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares is held by the public at 22 April 2022, being the latest practicable date before printing of this annual report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by Deloitte Touche Tohmatsu.

A resolution will be proposed at the 2022 AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Dr. Or Ching Fai
Chairman

Hong Kong, 28 March 2022

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules for the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

BOARD OF DIRECTORS (continued)

As at 28 March 2022, the date of this annual report, the Board comprises eight directors, one is Non-executive Director, namely Dr. Or Ching Fai ("Dr. Or"), the Chairman of the Board (the "Chairman"), three are Executive Directors, namely Mr. Sue Ka Lok, the Chief Executive Officer (the "CEO") and the Company Secretary of the Company, Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony, and four are Independent Non-executive Directors, namely Ms. Ma Yin Fan ("Ms. Ma"), Mr. Chow Yu Chun, Alexander ("Mr. Chow"), Mr. Leung Hoi Ying ("Mr. Leung") and Mr. Lam Kin Fung, Jeffrey ("Mr. Lam"). The directors are considered to have a balance of skill and experience appropriate for the requirements of the businesses of the Group. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors" on pages 20 to 22 of this annual report.

Dr. Or is an independent non-executive director of Playmates Holdings Limited (HKEX stock code: 635) and Mr. Chow is an independent non-executive director of Playmates Toys Limited (HKEX stock code: 869), which is an indirect non-wholly owned subsidiary of Playmates Holdings Limited. In addition, both Dr. Or and Mr. Lam are independent non-executive directors of Chow Tai Fook Jewellery Group Limited (HKEX stock code: 1929); and both Ms. Ma and Mr. Leung are independent non-executive directors of CST Group Limited (HKEX stock code: 985). Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between the Chairman and the CEO and among members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have an appropriate understanding of the businesses and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are continually updated on developments in the statutory and regulatory regime and the Group's business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news releases published by the Hong Kong Stock Exchange, to the directors. In-house briefing and professional development for directors are arranged where necessary.

The Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. During the year ended 31 December 2021, all the Directors (including Dr. Or Ching Fai (Chairman), Mr. Sue Ka Lok (CEO and Company Secretary), Mr. Chow Kam Wah, Mr. Chow Man Wai, Tony, Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey) have complied with Code Provision A.6.5 (renumbered as Code Provision C.1.4 since 1 January 2022) of the CG Code and have provided the Company with their respective training records pursuant to the CG Code.

BOARD OF DIRECTORS (continued)

During the year ended 31 December 2021, four regular Board meetings and annual general meeting of the Company (the "2021 AGM") were held and the attendance of each director is set out below:

	Number of attendance	
	Board Meetings	**2021 AGM**
Non-executive Director		
Dr. Or Ching Fai	4/4	1/1
Executive Directors		
Mr. Sue Ka Lok	4/4	1/1
Ms. Lee Chun Yeung, Catherine *(resigned on 30 July 2021)*	2/2	1/1
Mr. Chow Kam Wah	4/4	1/1
Mr. Chow Man Wai, Tony	4/4	1/1
Independent Non-executive Directors		
Ms. Ma Yin Fan	4/4	1/1
Mr. Chow Yu Chun, Alexander	4/4	1/1
Mr. Leung Hoi Ying	4/4	1/1
Mr. Lam Kin Fung, Jeffrey	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the CEO. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of Chairman is currently held by Dr. Or Ching Fai and the position of CEO is currently held by Mr. Sue Ka Lok.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All the Non-executive Directors (including the Independent Non-executive Directors) are appointed for a term of two years and shall determine upon expiry subject to renewal by mutual agreement prior to the expiry of the term. All the Non-executive Directors (including the Independent Non-executive Directors) are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company as governed by the Company's Articles of Association.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Chow Yu Chun, Alexander, Ms. Ma Yin Fan and Mr. Leung Hoi Ying. Mr. Chow Yu Chun, Alexander is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the website of Hong Kong Exchanges and Clearing Limited.

The Remuneration Committee met one time during the year ended 31 December 2021 to review and make recommendations to the Board on the remuneration packages for directors, and the amendment to the letters of appointment of Non-executive Director and Independent Non-executive Directors. The attendance of each member is set out below:

Members	**Number of attendance**
Mr. Chow Yu Chun, Alexander	1/1
Ms. Ma Yin Fan	1/1
Mr. Leung Hoi Ying	1/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including one Non-executive Director, namely Dr. Or Ching Fai, and two Independent Non-executive Directors, namely Ms. Ma Yin Fan and Mr. Leung Hoi Ying. Dr. Or Ching Fai is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the website of Hong Kong Exchanges and Clearing Limited.

The Nomination Committee met one time during the year ended 31 December 2021 to review the board diversity policy of the Company (the "Board Diversity Policy"), the independence of independent non-executive directors, the structure, size and composition of the Board; and review and make recommendation to the Board on the re-election of directors. The attendance of each member is set out below:

Members	Number of attendance
Dr. Or Ching Fai	1/1
Ms. Ma Yin Fan	1/1
Mr. Leung Hoi Ying	1/1

BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and has adopted the Board Diversity Policy. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard to the benefits of diversity of the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is a vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the shareholders for election as a director of the Company. According to the Nomination Policy, in assessing the suitability of a proposed candidate, the Board shall take into account, among other things, the following factors: (i) qualifications, professional experience, skills and knowledge relevant to the businesses of the Group; (ii) commitment in respect of available time and relevant interest; (iii) diversity perspectives set out in the Board Diversity Policy; (iv) in case of independent non-executive directors, regulatory requirement for appointment of independent non-executive directors and the independence criteria set out in the Listing Rules; and (v) any other factors that the Board considers appropriate.

For filling a casual vacancy or as an addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. On making recommendation, the Nomination Committee may submit to the Board for consideration a proposal comprising, inter alia, the personal profile of the proposed candidate, which contains at least the candidate's information required to be disclosed under Rule 13.51 of the Listing Rules. The Board shall be vested with power to make the final decision on all matters relating to the recommendation of candidates (i) for appointment; and (ii) for standing for election at a general meeting as a director of the Company.

The Nomination Committee had reviewed the diversity of the Board during the year ended 31 December 2021 and will review the Board Diversity Policy and the Nomination Policy from time to time to ensure that the policies will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2021 is set out in the "Independent Auditor's Report" on pages 70 to 75 of this annual report.

For the year ended 31 December 2021, the remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services amounted to HK$1,990,000. During the year, a sum of HK$390,000 was paid as remuneration to Deloitte Touche Tohmatsu for performing a review on the Company's condensed consolidated financial statements for the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises four Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Ms. Ma Yin Fan is the Chairlady of the Audit Committee.

The Audit Committee is mainly responsible for reviewing the financial statements of the Company, reviewing the risk management and internal control systems of the Group and meeting with the auditor of the Company for audit matters. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the website of Hong Kong Exchanges and Clearing Limited.

The Audit Committee met two times during the year ended 31 December 2021 and the attendance of each member is set out below:

Members	Number of attendance
Ms. Ma Yin Fan	2/2
Mr. Chow Yu Chun, Alexander	2/2
Mr. Leung Hoi Ying	2/2
Mr. Lam Kin Fung, Jeffrey	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2020 and recommended the same to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 and recommended the same to the Board for approval;

3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may have significant impact on the consolidated financial statements of the Company and the scope of the audit;

4. reviewed reports from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2020 and their review on the Company's condensed consolidated financial statements for the six months ended 30 June 2021;

5. reviewed the effectiveness of the risk management and internal control systems of the Group; and

6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

EXECUTIVE COMMITTEE

The Executive Committee has been established since 31 March 2016. As at the date of this annual report, the Executive Committee comprises three Executive Directors, namely Mr. Sue Ka Lok, Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony. Mr. Sue Ka Lok is the Chairman of the Executive Committee. The Executive Committee is mainly responsible for overseeing the management and the administrative functions of the day-to-day operations of the Group and handling such other matters as delegated by the Board from time to time. The full terms of reference are available on the Company's website and the website of Hong Kong Exchanges and Clearing Limited. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group.

INVESTMENT AND CREDIT COMMITTEE

The Investment & Credit Committee has been established since 31 March 2016. As at the date of this annual report, the Investment & Credit Committee comprises two Executive Directors, namely Mr. Sue Ka Lok and Mr. Chow Kam Wah. Mr. Sue Ka Lok is the Chairman of the Investment & Credit Committee. The Investment & Credit Committee is mainly responsible for overseeing and monitoring the activities of securities investments and money lending operation of the Group and handling such other matters relating to securities investments and money lending operation as delegated by the Board from time to time. The full terms of reference are available on the Company's website and the website of Hong Kong Exchanges and Clearing Limited. The Investment & Credit Committee will meet as and when necessary to discuss the activities of securities investments and money lending operation of the Group.

DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2021, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended, and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for corporate governance of the Company and performing corporate governance duties as set out below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and
5. to review the Group's compliance with the CG Code and its disclosure requirements in the corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibilities for maintaining sound and effective risk management and internal control and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets at least annually. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The review covers financial, operational and compliance controls of the selected key operations of the Group.

During the year, the Company has taken risk management as a core part of its business activities and operations. The Company has taken steps to build a comprehensive risk management system that is aligned with the strategies and operations of the Company by standardizing its risk management procedures, adopting qualitative and quantitative measures to identify, evaluate and mitigate the identified significant risks (including environmental, social and governance ("ESG") risks). Furthermore, the Company has increased the level of synergy between risk management and internal audit by identifying the potential risks (including ESG risks) through reviewing the internal control system, policies and/or procedures relating to the Group's business operations so as to promote its risk control capabilities.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Risk Management System

The Group has adopted a risk management system which manages the risk associated with its businesses and operations. The system comprises the following phases:

- Identification: identify ownership of risks, business objectives and risks that could affect the achievement of objectives;

- Evaluation: analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly; and

- Management: consider the risk exposures, ensure effective communication to the Board and monitor the residual risks on an on-going basis.

Internal Control System

The Company has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- Control environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group;

- Risk assessment: a dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed;

- Control activities: actions established by policies and procedures to help ensure that management directives to mitigate risks for the achievement of objectives are carried out;

- Information and communication: internal and external communications to provide the Group with the information needed to carry out day-to-day controls; and

- Monitoring: ongoing and separate evaluations to ascertain whether each component of the internal control system is present and functioning.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the year, the Group had engaged an independent professional firm to provide risk management and internal control assessment services to assist the Board and the Audit Committee to assess the risk management and internal control systems of the Group. The review comprised conducting interviews with the relevant management members and key process owners, and performing walkthrough tests to identify major risks and significant deficiencies, and making recommendations for improvements on the internal control system to the Audit Committee and the Board. The Audit Committee, together with the Board, had reviewed, considered and discussed the findings and recommendations of the Internal Control Review Report prepared by the independent professional firm for the year ended 31 December 2021 (the "ICR Report"). Having considered the recommendations in the ICR Report, the Group has adopted the recommended measures to improve its internal control system. In addition, the independent professional firm had also performed a follow-up assessment on the findings as identified in its Internal Control Review Report for the year ended 31 December 2020 and the result was satisfactory. The Board had also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function, as well as those relating to the Group's ESG performance and reporting for the year ended 31 December 2021.

After the review, the Board is of the opinion that the Group has adequate financial and human resources for its accounting and financial reporting function, as well as those relating to the Group's ESG performance and reporting. In addition, having considered the Enterprise Risk Management Report and the ICR Report prepared by the independent professional firm, the Board is not aware of any significant risk management and internal control weaknesses or inconsistencies with the Group's risk management and internal control policies, and considers the existing risk management and internal control systems of the Group are effective and adequate. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and the Listing Rules disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Company and Hong Kong Exchanges and Clearing Limited, according to the requirements of the Listing Rules, in a timely manner.

COMPANY SECRETARY

Following the resignation of Ms. Leung Siu King as Company Secretary, Mr. Sue Ka Lok ("Mr. Sue"), Executive Director and Chief Executive Officer of the Company, was appointed as Company Secretary on 12 November 2021. The biographical details of Mr. Sue are set out under the section headed "Biographical Details of Directors" on pages 20 to 22 of this annual report. Mr. Sue has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2021.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The annual general meeting (the "AGM") of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board committees are invited to attend the AGM. The chairman of the Board and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer questions at the AGM. The auditor of the Company is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

Under Section 566 of the Hong Kong Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company. Besides, in relation to an annual general meeting which a company is required to hold, Section 615 of the Hong Kong Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all the shareholders having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the Company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the Company not later than six weeks before the relevant annual general meeting or if later, when the notice of annual general meeting is despatched.

As a channel to further promote effective communication, the Group maintains a website at http://www.cshldgs.com where the Company's annual and interim reports, notices, announcements and circulars are posted.

A printed copy of the Articles of Association of the Company has been published on the websites of the Company and Hong Kong Exchanges and Clearing Limited. There had been no changes in the Company's constitutional documents during the year ended 31 December 2021.

Enquiries may be put to the Board through the Company Secretary at Rooms 3206–3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

DIVIDEND POLICY

According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account among other things, the following factors: (i) the actual and expected financial performance of the Group; (ii) the retained earnings and distributable reserves of the Group; (iii) the expected working capital requirements and future expansion plans of the Group; (iv) the liquidity position of the Group; and (v) any other factors that the Board deems appropriate. The declaration and payment of dividends by the Company shall be determined at the sole and absolute discretion of the Board and is also subject to compliance with all applicable laws and regulations including the Hong Kong Companies Ordinance and the Company's Articles of Association.

INTRODUCTION

China Strategic Holdings Limited and its subsidiaries are principally engaged in the business of investment in securities, trading of coke products, money lending as well as securities brokerage.

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performance of the Group in relation to environmental protection, labour practices, business operations, supply chain management and other ESG aspects. The Group focuses on the expectation and concern of its stakeholders, and demonstrates its commitment to sustainable development in this report.

BOARD STATEMENT

The Board is pleased to present the ESG Report of the Group, which reviews the Group's ESG initiatives, plans, performance, as well as its sustainable development in respect of environmental protection, labour practices, business operations, supply chain management and other ESG aspects. As a responsible corporate, the Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision making process.

The ESG Governance Structure

The Group has developed a framework to ensure ESG governance is aligned with its strategic business growth, while advocating for the integration of ESG aspects into its business operations. The structure of ESG governance mainly comprises two components, namely the Board and the ESG working taskforce (the "Taskforce").

The Board holds the overall responsibility for the Group's ESG strategies and reporting, as well as overseeing and managing its ESG-related issues. The Board reviews the Group's ESG-related risks and opportunities, performance, goals and targets, and policies regularly with the assistance of the Taskforce. Based on the recommendations from the Taskforce, the Board also reviews the progress made towards achieving the ESG-related goals and targets, as well as the effectiveness of the management approach and strategy adopted in achieving them. In addition, the Board is responsible to ensure the effectiveness of the Group's internal control system under an annual assessment process, through which the precision and accuracy of the information disclosed in the ESG reports are assured.

The Taskforce, comprising management and employees from the relevant departments, has the responsibility for data collection, monitoring the Group's ESG performance, prioritisation of material ESG issues, reviewing the Group's ESG-related policies, and preparation of the ESG reports which will be presented to the Board for consideration. The Taskforce reports to the Board and reviews the ESG performance of the Group from time to time, covering environmental protection, labour practices, business operations, supply chain management and other ESG aspects. The Taskforce also makes recommendations to the Board on setting ESG-related goals and targets in relation to the Group's businesses, as well as the management approach and strategy in achieving them.

Environmental, Social and Governance Report

REPORTING SCOPE

The senior management of the Group has discussed and identified the reporting scope of ESG-related matters based on the materiality principle and after having considered the Group's core business and main revenue source. The ESG Report covers the Group's operation in Hong Kong, which includes investment in securities, trading of coke products, money lending and securities brokerage, which in aggregate generating 100% of the Group's revenue. The ESG Report serves to provide details of the Group's ESG policies and initiatives of its businesses.

The ESG key performance indicator ("KPI") data is gathered from subsidiaries that are under the Group's direct operational control. The KPIs are shown in the ESG Report and are supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

REPORTING PERIOD

The ESG Report illustrates the ESG performance, challenges, initiatives and plans of the Group during the year ended 31 December 2021 ("FY2021") as well as the comparative data for the year ended 31 December 2020 ("FY2020"), where appropriate.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules and based on the reporting principles of materiality, quantitative, and consistency. Information relating to the Group's corporate governance practices is set out in the "Corporate Governance Report" of this annual report.

During the preparation of the ESG Report, the Group has applied the following reporting principles which are set out in the ESG Reporting Guide:

Materiality: Materiality assessment is conducted to diagnose material issues during FY2021, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues are reviewed and confirmed by the Board and the Taskforce. Further details of "Materiality Assessment" are set out in the section below.

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

Consistency: The approach adopted in preparing the ESG Report is substantially consistent with the one adopted in FY2020, and explanations are provided for data with changes in the scope of disclosure or calculation methodologies.

The ESG Report has undergone the internal review process of the Group's management and has been approved by the Board.

CONTACT US

The Group welcomes all questions, feedback and suggestions from stakeholders and can be contacted via the following ways:

Address : Rooms 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Tel : (852) 2586 2666
Fax : (852) 2586 2669
Email : info@cshldgs.com

STAKEHOLDER ENGAGEMENT

The Group values opinions and feedback from the stakeholders in regard to the Group's businesses and ESG aspects, as their expectations and concerns steer the Group towards sustainability, allowing the Group to formulate ESG strategies accordingly and appropriately. Throughout FY2021, the Group has kept close communications with its key stakeholders, including but not limited to shareholders, employees, customers, suppliers, and the government and regulatory authorities, by utilising a variety of engagement methods and communication channels, as listed below:

Stakeholders	Communication Channels	Expectations and Concerns
Shareholders	• Financial reports • Annual general meeting and other shareholder meetings • Corporate website • Announcements and circulars	• Stability in business operations • Financial performance • Compliance with local laws and regulations • Information transparency • Risk management
Employees	• Staff meetings • Performance appraisals • Posters • Electronic correspondences • Employment contract	• Remuneration, compensation and benefits • Employees' rights and interests • Occupational health and safety • Career development and training • Employee promotion mechanism
Customers	• Corporate website • Face-to-face meetings	• Provision of quality products and services • Protection of customers' interest and privacy • Protection of intellectual property • Compliance with local laws and regulations

STAKEHOLDER ENGAGEMENT (continued)

Stakeholders	Communication Channels	Expectations and Concerns
Suppliers	• Supplier assessment • Regular meetings	• Business Integrity • Fair and open procurement • Sustainable development of supply chain
The government and regulatory authorities	• Statutory filings and notification • Seminar	• Compliance with local laws and regulations • Completion of tax obligations

MATERIALITY ASSESSMENT

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

With the assistance of the Group's management and the Taskforce, a list of material ESG issues has been identified based on the Group's businesses, the ESG Reporting Guide and industry standard. To prioritise the identified material ESG issues, the Group conducted a materiality assessment survey during FY2021. Management and employees of different business units and departments were invited to evaluate the significance of the identified ESG issues to the stakeholders and the Group's businesses. Based on the results of the survey, the Group compiled the following materiality matrix. The results of the materiality assessment were reviewed by the Group's management and the Taskforce, and approved by the Board.

MATERIALITY ASSESSMENT (continued)

The materiality matrix which summarises the Group's material ESG issues is shown below:

Materiality Matrix

LEVEL OF INFLUENCE ON STAKEHOLDERS' ASSESSMENTS AND DECISIONS

High			• Development and Training • Supply Chain Management • Anti-money Laundering ("AML") and Counter-financing of Terrorism ("CFT") • Business Ethics
	• Indoor Air Quality • Promotion and Dismissal • Diversity, Equal Opportunities and Anti-discrimination • Advertising and Labelling	• Working Hours and Rest Periods • Compensation and Other Benefits • Occupational Health and Safety Management • Fair and Open Tendering • Protection of Intellectual Property Rights	• Recruitment and Remuneration • Quality Assurance • Customer Services and Satisfaction • Customer Privacy Protection • Anti-corruption Mechanism
Low	• Greenhouse Gas ("GHG") Emissions • Waste Management • Energy Efficiency • Water Consumption • Prevention of Child and Forced Labor • Community Investment	• Climate Change Mitigation and Adaptation	

LEVEL OF SIGNIFICANCE ON THE GROUP'S SUSTAINABLE DEVELOPMENT High

The Group confirmed that it has established appropriate and effective management policies and internal control system to address material ESG issues, and to ensure that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

A. ENVIRONMENTAL

A1. EMISSIONS

The Group is principally engaged in the business of investment in securities, trading of coke products, money lending and securities brokerage. Owing to the Group's business nature, its daily operations have minimal impact on the environment. However, the Group realises the potential indirect negative environmental impacts that may be associated with its business operations. To enhance decarbonisation and address stakeholders' concern as reflected by the identified material ESG issues, the Group has set environmental targets related to GHG emissions, waste management, energy consumption and water use. The Group continues to work on environmental protection and minimises its carbon footprint by reviewing the progress towards these targets and the effectiveness of its environmental protection measures regularly, in order to achieve long-term sustainability of the environment and community where it operates.

During FY2021, the Group was not aware of any material non-compliance with environmental related laws and regulations that would have a significant impact on the Group, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance.

Air Emissions

Although air emissions produced by the Group's business operations are insignificant, the Group has the relevant policies in place to further enhance the efficiency of fuel use. To reduce air emissions, which are mainly produced by vehicles and vessels of the Group, a monitoring system has been set up to track fuel consumption and responsible employees are urged to report and handle any irregularities appropriately. Other initiatives relating to mitigating air emissions for vehicles and vessels are set out in the section below headed "Scope 1 – Direct GHG Emissions".

The significant drop in air emissions is contributed by the decrease in fuel consumption by the Group's vehicles and vessels, as well as the decrease in number of the Group's vehicles.

Summary of air emissions performance:

Air emissions	**Unit**	**FY2021**	**FY2020**
Nitrogen Oxides (NOx)	kg	0.97	2.12
Sulphur Oxides (SOx)	kg	0.06	0.29
Particulate Matter (PM)	kg	0.07	0.16

A. ENVIRONMENTAL (continued)

A1. EMISSIONS (continued)

GHG Emissions

Gasoline consumption by vehicles and diesel used for vessels (Scope 1) and purchased electricity (Scope 2) accounted for the principal GHG emissions of the Group. During FY2021, the Group has set target to reduce the total GHG emissions intensity by the year ending 31 December 2025 ("FY2025"), using FY2021 as the baseline year. To achieve the target, the Group has implemented the relevant measures as shown below to reduce direct GHG emissions, energy indirect GHG emissions, and other indirect GHG emissions respectively.

Scope 1 – Direct GHG Emissions

To reduce direct GHG emissions from gasoline and diesel consumption in operations, the Group has set out guidelines to manage the use of fuel. The fuel-saving measures, as well as the emissions reduction measures are as follows:

- Plan routes ahead of time to optimise fuel consumption;
- Switch off the engine whenever the vehicle or vessel is idling;
- Service the vehicles or vessels to ensure optimal engine performance and fuel use on a regular basis; and
- Encourage employees to utilise public transportation where possible.

Scope 2 – Energy Indirect GHG Emissions

Purchased electricity accounted for the indirect GHG emissions of the Group. The Group has implemented measures to reduce energy consumption, the measures are set out in the section below headed "Energy Efficiency" under aspect A2.

A. ENVIRONMENTAL (continued)

A1. EMISSIONS (continued)

GHG Emissions (continued)

During FY2021, the Group's total GHG emissions dropped by approximately 19.85% compared to FY2020. This was mainly due to the decrease in consumption of fuels by the Group's vehicles and vessels, as well as the decrease in number of the Group's vehicles.

Summary of GHG emissions performance:

Indicator *(Note 1)*	**Unit** *(Note 2)*	**FY2021**	**FY2020**
Scope 1 – Direct GHG emissions			
• Gasoline consumed by vehicles			
• Diesel consumed by vessels	tCO_2e	29.12	51.13
Scope 2 – Energy Indirect GHG emissions			
• Purchased electricity	tCO_2e	55.53	54.48
Total GHG emissions (Scope 1 and 2)	tCO_2e	**84.65**	**105.61**
Intensity *(Note 3)*	tCO_2e/employee	**1.76**	**1.76**

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5) and the Sustainability Report 2021 published by HK Electric.

2. tCo_2e represents tonne of carbon dioxide equivalent.

3. As at 31 December 2021, the Group had 48 (FY2020: 60) employees including directors of the Company. This data is used for calculating intensity data per employee in this ESG Report.

A. ENVIRONMENTAL (continued)

A1. EMISSIONS (continued)

Waste Management

Hazardous Waste

Owing to the Group's business nature, no material hazardous waste had been produced by the Group during FY2021. Nevertheless, the Group has adopted measures to encourage the recycling of office waste including ink cartridges, toner cartridges, electronic equipment and office supplies to minimise environmental impact.

During FY2021, the Group had consumed 15.00 kg of ink cartridges and had recycled all of them.

Summary of hazardous waste performance:

Category	Unit	FY2021
Ink cartridges *(Note 4)*	kg	15.00
Total hazardous waste	kg	**15.00**
Intensity	kg/employee	**0.31**

Note:

4. Owing to the enhancement of the Group's ESG data collection procedure during FY2021, the disposal of ink cartridges was measured and recorded.

A. ENVIRONMENTAL (continued)

A1. EMISSIONS (continued)

Waste Management (continued)

Non-hazardous Waste

The Group recognises that the majority of non-hazardous waste produced is paper, although its operations do not generate a significant amount of non-hazardous waste, the Group endeavours to further reduce the waste produced by promoting the concept of "green office" to its employees. During FY2021, the Group has set target to reduce the total non-hazardous waste intensity by FY2025, using FY2021 as the baseline year. To achieve the target, the Group has implemented the following waste reduction measures:

- Re-use office paper;
- Encourage double-sided printing or photocopying;
- Print electronic correspondences only when necessary;
- Recycle outdated office supplies and electronic equipment; and
- Procure paper with Forest Stewardship Council (FSC) Recycled Label.

During FY2021, the Group's total non-hazardous waste decreased by approximately 1.56% compared to FY2020, which could be explained by the upholding of employees' awareness in waste reduction.

Summary of non-hazardous waste performance:

Category	Unit	FY2021	FY2020
Paper	tonne	0.63	0.64
Total non-hazardous waste	tonne	**0.63**	**0.64**
Intensity	tonne/employee	**0.01**	**0.01**

Sewage Discharge

Owing to the Group's business nature, the Group's business activities do not consume a significant volume of water during its daily operations, therefore it does not produce a material amount of sewage. As wastewater produced by the Group will be discharged into a sewage pipe network connected to a regional water purification plant, the water consumed by the Group is considered as sewage discharged. Further details of water consumption are set out in the section below headed "Water Consumption" under aspect A2.

A. ENVIRONMENTAL (continued)

A2. USE OF RESOURCES

The Group upholds and promotes effective use of resources and is committed to optimising their use across business operations. The Group keeps track of the ESG-related KPIs through its internal monitoring programme on procurement and use of resources and establishes relevant policies and procedures in resources management.

Energy Efficiency

The energy consumed by the Group is mainly electricity consumption for daily operations, gasoline consumption for vehicles and diesel consumption for vessels. As the Group is determined to reduce energy consumption and adhere to the electricity-saving principle, a detailed internal energy reduction policy has been set in place for all of the Group's subsidiaries and departments to follow. In addition, the Group has set target to reduce the total energy consumption intensity by FY2025, using FY2021 as the baseline year. The Group strives to reduce energy consumption by adopting the following energy-saving measures:

- Design and operate lighting control systems based on actual need;
- Switch off unnecessary lightings and electrical appliances when not in use;
- Purchase energy-efficient equipment to replace retired equipment;
- Set all computer screens and printers to standby mode after a certain period; and
- Post eye-catching stickers of energy efficiency as a reminder to employees.

To reduce gasoline consumption for vehicles and diesel consumption for vessels, the Group has adopted a list of fuel-saving measures which are set out in the section above headed "Scope 1 – Direct GHG Emissions" under aspect A1.

During FY2021, the total energy consumption of the Group decreased by approximately 27.59% compared to FY2020. This was mainly due to the decrease in fuel consumption by the Group's vehicles and vessels under the Group's effective fuel-saving measures, as well as the decrease in number of the Group's vehicles.

A. ENVIRONMENTAL (continued)

A2. USE OF RESOURCES (continued)

Energy Efficiency (continued)

Summary of energy consumption performance:

Type of energy	Unit(Note 5)	FY2021	FY2020
Direct energy consumption			
Gasoline	MWh	39.36	86.20
Diesel	MWh	74.92	112.38
Indirect energy consumption			
Electricity	MWh	78.21	67.26
Total energy consumption	MWh	**192.49**	**265.84**
Intensity	MWh/employee	**4.01**	**4.43**

Note:

5. MWh represents megawatt hour.

Water Consumption

Owing to the Group's business nature, the usage of water is only confined to water used by employees at the offices. Water consumption data only represents the consumption of drinking water by employees as the relevant data of other water usage is not available since the respective building management company of the Group's offices are responsible for the provision of water for other usage. As such, the target for water efficiency is not presented as water consumption data is limited.

Although the Group does not have full control over its water consumption, the Group aims to reduce water use through increasing employees' awareness on water conservation. To ensure the efficient use of water and achieve the relevant target, the Group has encouraged employees to reduce unnecessary water consumption in toilets and pantries, while also posting water-saving reminders in the office area to raise employees' awareness.

During FY2021, the total water consumption of the Group decreased by approximately 2.98% compared to FY2020, which could be explained by the upholding of employees' awareness in water-saving.

A. ENVIRONMENTAL (continued)

A2. USE OF RESOURCES (continued)

Water Consumption (continued)

Summary of water consumption performance:

Water consumption	Unit	FY2021	FY2020
Total water consumption	m^3	2.93	3.02
Intensity	m^3/employee	0.06	0.05

Owing to the Group's business nature, the Group has not identified any issues in sourcing water that is fit for purpose.

Use of Packaging Materials

Owing to the Group's business nature, the use of packaging material is not considered a material ESG aspect of the Group.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

Although the core business of the Group has a remote impact on the environment and natural resources, the Group realises its responsibility in minimising any negative environmental impacts from its business operations as an ongoing commitment to good corporate social responsibility. The Group regularly assesses the environmental risks of its businesses, adopts preventive measures to reduce the risks, and ensures compliance with the relevant laws and regulations.

Indoor Air Quality

To ensure that the Group's working environment is pleasant, indoor air quality in its workplaces are regularly monitored and measured. During FY2021, the indoor air quality of the Group's offices have been satisfactory. To improve indoor air quality, air purifying equipment is used in the Group's offices when considered appropriate and the air conditioning systems are cleaned periodically. These measures maintained the indoor air quality at a satisfactory level by filtering pollutants, contaminants and dust particles.

The Group believes that running an environmentally sustainable business model could greatly lower operational risk and in turn generates a more stable return to the Group and its shareholders. The Group is endeavoured to achieving this goal in the long term.

A. ENVIRONMENTAL (continued)

A4. CLIMATE CHANGE MITIGATION AND ADAPTATION

The Group recognises the importance of identification and mitigation of significant climate-related issues, therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities. The Group has an established risk management policy in identifying and mitigating different risks including climate-related risks. During FY2021, the Group has initiated a climate change assessment to identify and mitigate the potential risks that may arise from its business operations. These risks mainly stem from the following dimensions:

Physical Risks

The increase in frequency and severity of extreme weather events such as typhoons, storms and heavy rains can disrupt the Group's operations by causing floods, damages to power grid and communication infrastructure, and may hinder and injure the Group's employees during their work, or on the way going to work. These could result in temporary, permanent or partial halt of the Group's business operations, which expose the Group to risks associated with non-performance and delayed performance.

In addition, long-term effects such as the increase in global temperature may have critical impact on the Group's operation due to its reliance on electricity and internet service. Rising temperature may require more cooling systems or measures to lower the temperature at the Group's offices. These may increase the Group's costs of operation in the long-term.

To better manage the above physical risks, the Group has formulated crisis response plans to reduce the potential negative impacts on its operations due to extreme weather events. When extreme weather events occurred or possibly happened, the senior management will react according to the plans and timely communicate with the employees about the work arrangements to ensure staff safety and operation continuity. The Group has also established contingency policies for staff to follow in case if any of the essential work arrangements become unavailable due to extreme weather events.

Transition Risks

The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, the Group acknowledges the increasing requirements of climate-related information disclosures. One example is the recent update of the Hong Kong Stock Exchange's ESG Reporting Guide in respect of significant climate-related impact disclosures of an issuer. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, corporate reputation may also decline due to failure to meet the compliance requirements for climate change, an enterprise's related capital investment and compliance costs are thus expected to increase. In response to policy and legal risks as well as reputation risks, the Group regularly monitors existing and emerging trends, and policies and regulations relevant to climate change, and ensures that the senior management is aware of the changes to avoid unnecessary costs, non-compliance fines and reputational risks owing to delayed responses.

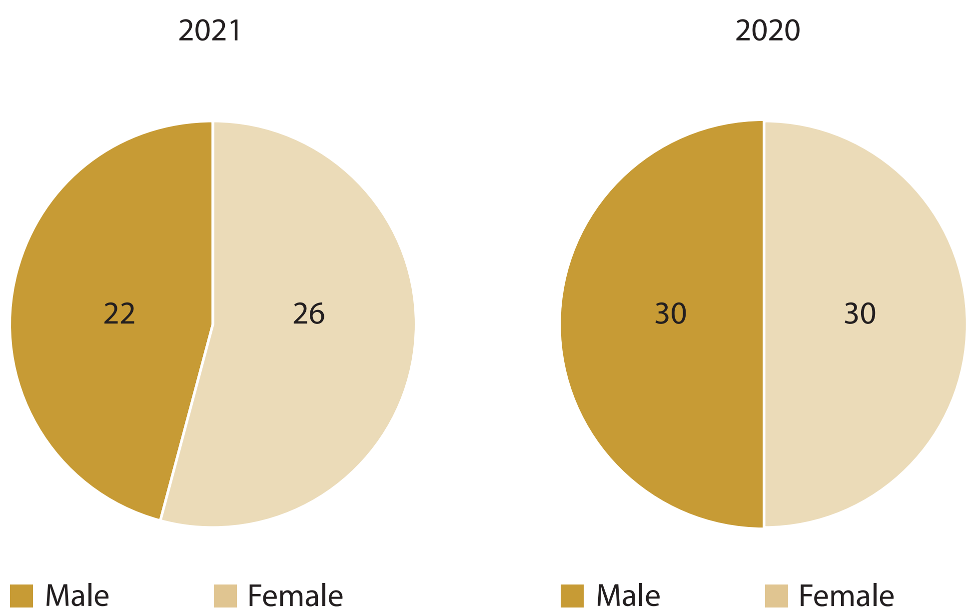
B. SOCIAL

B1. EMPLOYMENT

The Group acknowledges that human resources are fundamental to its sustainable business development and are one of its key competitive advantages. To implement and enhance the people-oriented management strategy, the Group has formulated relevant employment policies that are formally documented, including aspects of recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. to protect the rights of its employees. The Group's management regularly reviews employment standards to ensure the compliance with the most updated local laws and regulations.

During FY2021, the Group was not aware of any material non-compliance with employment related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance. As at 31 December 2021, the Group has a total number of 48 (2020: 60) employees (including directors) and all are stationed in Hong Kong. The demographics of the Group's workforce are as follows:

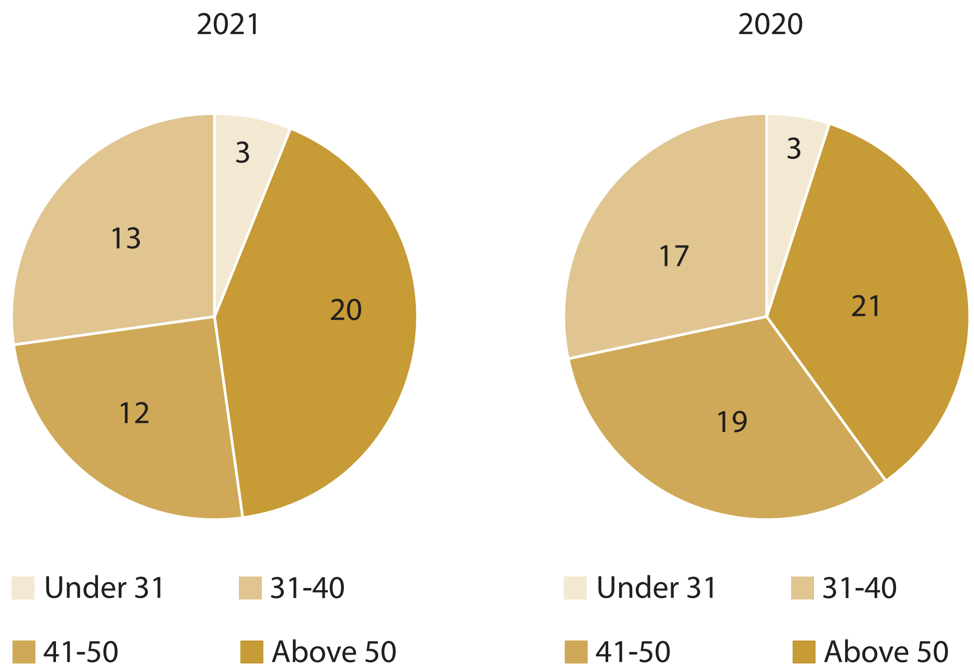
(i) Total Workforce by Gender



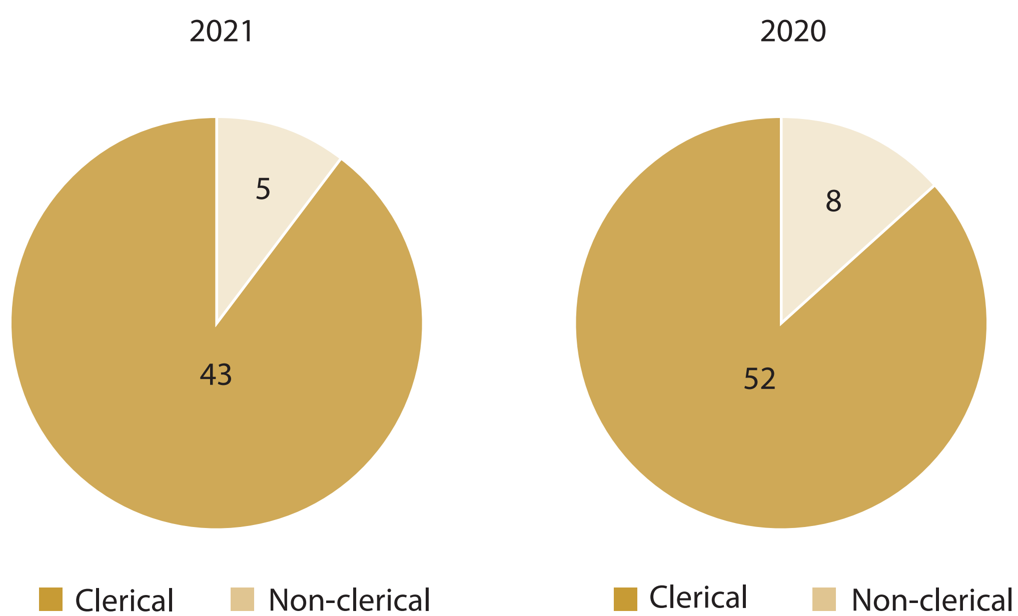
B. SOCIAL (continued)

B1. EMPLOYMENT (continued)

(ii) Total Workforce by Age Group



(iii) Total Workforce by Employment Type



B. SOCIAL (continued)

B1. EMPLOYMENT (continued)

Recruitment and Remuneration

The Group recruits employees based on their experience and suitability for the positions, regardless of their age, religion, ethnicity, origin, gender identity, physical capability and marital status, etc. Candidates are assessed and chosen based on their ability and potential to fulfil the Group's current and future needs. The Group is committed to uphold a transparent and fair recruitment process, treating and evaluating the candidates in a fair and unprejudiced way.

To ensure fairness and transparency in salary adjustment and promotion appraisal, whether an employee warrants a salary adjustment or promotion will be determined by the Group's management by conducting a performance review on the employee. On the other hand, counselling services will be provided to those employees with below average performance. The Group's remuneration packages include performance bonus, annual leave, medical insurance, and discretionary bonus, etc.

Promotion and Dismissal

The promotion of employees depend on their performances, working ability, intrinsic potential, and the needs of the Group's entities. To protect the interests of both the employees and the Group, the basis and process for the management to determine promotion, transfer and demotion of employees have been clearly defined and can only be carried out with the appropriate approval.

Employment termination of employees were arranged in accordance with the Employment Ordinance. Exit interview is conducted for every employment termination to understand the employees' concerns and appropriate retention measures could be implemented accordingly. This helps the Group to manage employee turnover in a better manner.

B. SOCIAL (continued)

B1. EMPLOYMENT (continued)

Promotion and Dismissal (continued)

During FY2021, there was no dismissal and all employees left the Group voluntarily. The total number of employee leaving employment during FY2021 was 21 (2020: 4), and the employee turnover rate was approximately 39% (2020: 8%).

The overall employees' turnover rates by gender, age group, and geographical region are as follows:

	FY2021	FY2020 (Note 6)
By Gender		
Male	15%	16%
Female	61%	–
By Age Group		
Under 31 years old	33%	–
31 – 40 years old	40%	14%
41 – 50 years old	71%	6%
Above 50 years old	15%	5%
By Geographical Region		
Hong Kong	39%	8%

Note:

6. The turnover rate for FY2020 are restated due to updates in calculation method used.

Working Hours and Rest Periods

To facilitate employees' "work-life balance" and ensure employees to have enough rest periods, the Group adopts a five-day workweek. Employees are entitled to basic leaves such as sick leave, annual leave, maternity leave, paternity leave and marriage leave.

B. SOCIAL (continued)

B1. EMPLOYMENT (continued)

Compensation and Other Benefits

Performance bonuses and salary increments for employees are fairly assessed based on a list of criteria including work performance, seniority and contribution to the Group during the period concerned. Other benefits include medical insurance, subsidy for training course, and education and traveling allowance.

Diversity, Equal Opportunities and Anti-discrimination

The Group respects diversity and believes a varied workforce can bring holistic perspectives and insights. To maintain an embracing and collaborative workplace culture, the Group provides equal opportunities in all aspects of employment and ensure the workplace is free from discrimination, physical or verbal harassment against any individual because of his/her race, religion, colour, gender, physical or mental capability, age, place of origin, marital status, and sexual orientation. The Group also strives to ensure that complaints, afflictions and concerns, including whistleblowing, are dealt with promptly and confidentially. The Group has zero tolerance for sexual harassment or abuse in the workplace in any form.

B2. HEALTH AND SAFETY

Owing to the Group's office-based operation where labour-intensive work is not required, the Group's businesses do not pose a significant threat to the health and safety of employees. Nonetheless, the Group is endeavoured to enhance occupational health and safety by raising awareness of employees in maintaining a proper posture during work by putting up posters or leaflets in visible areas in office, and encouraging employees to do exercise regularly.

During FY2021, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance. The Group had no reported work-related incident or work days lost due to work injury during FY2021. In the past three years (including FY2021), the Group had no work-related fatalities occurred.

Occupational Health and Safety Management

In pursuit of building an injury-free working environment and preventing physical impairment, the Group has created an internal safety policy ensuring a safe working environment whereas guidelines are formulated in accordance with the relevant laws and regulations. Business Continuity Plan has been set in place in case of emergencies such as fire, electrical failure, flood and water damage. Loss or damage within the Group's offices and injuries at work are covered by various insurance policies.

B. SOCIAL (continued)

B2. HEALTH AND SAFETY (continued)

Control on Coronavirus Disease 2019 ("COVID-19") and the variant virus

In view of the continuity of COVID-19 and its variant virus, the Group strictly follows the proactive measures to safeguard the health and safety of its employees and business partners, and has complied with the public health measures promulgated by the local authorities.

The Group has enhanced the environmental hygiene in its working areas through regular sanitisation, as well as distribution of adequate protective gear such as surgical masks and hand sanitizers. To further minimise the risk of cross-infection, all employees and guests of the Group are required to perform temperature checks before entering the Group's offices or worksites. The Group has issued a guideline to its employees to advise on responsive actions when there are infections among its employees and their family members.

B3. DEVELOPMENT AND TRAINING

The Group values and treasures its talents, who are the key to the continual success of the Group. The Group is committed to invest in its employees and facilitate their personal development. Employees are encouraged to attend internal and external training opportunities to refresh prior knowledge and acquire new knowledge, while directors and senior executives are encouraged to participate in external professional training.

To enhance and maintain the professionalism of its employees, especially for staff of the Group's securities brokerage subsidiary, which is highly regulated, all of its staff are encouraged to be well acquainted with the latest industry practice and knowledge, as well as the regulatory requirements and standards in conducting the subsidiary's operations.

Echoing its initiative to invest its talent, the Group regularly provides training subsidy to the relevant employees for participating in professional training in the areas including securities brokerage, investment and financial analysis, finance, accounting, company secretarial practice, compliance, and laws and regulations. During FY2021, the Group's employees continued to participate in various external trainings courses including seminars held by Hong Kong Securities and Investment Institute, Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute.

In addition, the Group provides induction training materials including handouts and onboard guidance to new recruits, and a guidebook set forth by the Hong Kong Institute of Directors together with other materials for new directors joining the Company. The induction materials to employees are updated regularly in response to the dynamic working environment. Materials such as updates, circulars and consultation papers issued by the Hong Kong Stock Exchange are also made available to directors and senior employees for them to keep abreast of the latest market and regulatory development. In addition to training materials provided by the Group, many of its employees are members of certifications that require external professional trainings on an annual basis.

B. SOCIAL (continued)

B3. DEVELOPMENT AND TRAINING (continued)

During FY2021, 40% of the Group's employees were trained and an average of 5.91 hours per employee was recorded. The percentage of trained employees, the percentage of breakdown of trained employees and the average training hours per employee, by gender and employee category are as follows:

	Percentage of trained employees	Percentage of breakdown of trained employees	Average training hours per employee
By Gender			
Male	50%	58%	6.95
Female	31%	42%	5.02
By Employee Category			
Senior Management	71%	79%	8.81
Other Employees	15%	21%	3.65

B. SOCIAL (continued)

B4. LABOUR STANDARDS

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited in accordance with the relevant laws and regulations. The Group's human resources department will ensure the identity documents are carefully checked in order to verify the personal data submitted by the candidates during the recruitment process. During the recruitment process, the Group collects personal data of the candidates to aid the selection of the suitable candidates. The Group's human resources department is responsible for checking the authenticity of personal information received against the original documents provided by the candidates. Any faulty information received will be reported to the relevant management and corrective actions will be taken.

The Group strictly complies with local laws and will not employ children before they reach the legal age to work as defined by the Labour Department in Hong Kong. The Group guarantees that no employee would be forced or persuaded to work against their will, experience any form of action of threatening and abuse, or subject to any type of coercion or punishment in workplaces.

During FY2021, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance.

B. SOCIAL (continued)

B5. SUPPLY CHAIN MANAGEMENT

The Group aims at creating a sustainable supply chain and therefore expects all its suppliers and business partners to uphold a similar standard in respect of environmental issues and labour practices. To govern the supplier assessment process, the Group has formulated the relevant supplier management policies, which will be reviewed on an annual basis. During FY2021, there are a total of 21 qualified suppliers and service providers. The distribution of suppliers is as follow:

Total Number of Suppliers	
By Region	
Mainland China	1
Hong Kong	16
Overseas	4

To enhance suppliers' quality, the Group conducts its supplier assessment process in a structured and systematic manner. The evaluation criteria of a supplier include its service or product quality, performance on environmental issues, labour practice, commitment to social responsibilities and moral standards. Furthermore, the Group oversees business relationships with the suppliers in due care in pursuit of mitigating any issues that contradict the Group's performance standards on environmental and social issues, including legal compliance, workplace safety, mitigation of environmental impacts, protocols against sexual and gender discrimination, and protocols against harassment and abuse.

The evaluation process on suppliers are conducted periodically by the Group. If a supplier fails to meet the Group's performance standards, the Group will notify the supplier for the corrective action (if applicable) and will monitor and evaluate the subsequent actions of the supplier. To encourage suppliers to pursue sustainable development in their operation, the Group maintains close communication with its suppliers to share the latest knowledge on quality and safety of products, as well as good labour and environmental practices. The Group will also provide the necessary guidance to its suppliers on how to implement good environmental practices throughout the supply chain process, if appropriate. The Group's responsible employees perform close monitoring on the suppliers' business practices, and any observations of non-compliance will be reported immediately to the management. The supplier who continuously fails to meet the Group's requirements will be subject to termination to supply.

Fair and Open Tendering

The Group has developed a tendering procedure to engage suppliers in a fair and competitive manner under which the senior management is responsible for all the decision making during the tendering process. The Group strictly prohibits differentiation or discrimination on certain suppliers, and it monitors and prevents all kinds of business bribery in a serious manner. Employees or personnel having any direct or indirect interests associated with the suppliers would not be involved in any business negotiation process with the suppliers.

B. SOCIAL (continued)

B6. PRODUCT RESPONSIBILITY

The Group's goal is to provide the best products and services to its customers. Therefore, the Group has systems and controls in place to monitor the status and progress of all its business activities carrying out by different levels of staff, so as to ensure high quality products and services are delivered to its customers.

During FY2021, the Group was not aware of any material non-compliance with any laws and regulations in relation to customers' privacy issues, and compensation regarding health and safety, and advertisement and labelling for products and services provided that would have a significant impact on the Group, including but not limited to the Money Lenders Ordinance, Personal Data (Privacy) Ordinance and Securities and Futures Ordinance. In addition, the Group did not have any recorded product or service-related complaints, and not aware of any product sold or shipped that was subjected to recall for safety and health reasons during FY2021.

Quality Assurance

The Group places great emphasis on maintaining its high service quality and strives to satisfy its customers through meeting or exceeding their expectations. To ensure the quality of the securities brokerage services provided and as required by the relevant rules of the Securities and Futures Commission, the Group keeps the telephone voice records with its customers and the relevant documentation records for 6 months and not less than 7 years respectively. A designated responsible officer is in charge of overseeing the execution of this quality assurance process through random and regular checking of the voice records to ensure that orders of the customers are properly and satisfactorily executed. For the Group's trading business, the merchandises trading activities of the operation are strictly complied with the relevant international standards.

Customer Services and Satisfaction

To provide high quality products or services to its customers, the Group has established good relationships with its customers through gathering and analysing their feedback, inquires and complaints. By conducting studies and reviews on the information gathered, the Group is able to identify areas to improve its future products or services quality.

The Group has also formulated a set of policies and procedures to handle customers' feedback and complaints in a professional manner. Feedback or complaints will be reviewed by the Group's management when any product or service-related inquiry or complaint is received, and customers' satisfaction will be evaluated after the complaints are settled.

B. SOCIAL (continued)

B6. PRODUCT RESPONSIBILITY (continued)

Protection of Intellectual Property Rights

Although intellectual property rights are not considered a material ESG aspect of the Group owing to the nature of its business operations, the Group has established relevant guidelines to govern the practices of information technology ("IT") management within the Group. The IT Department is responsible for obtaining proper licenses for the software, hardware and information used in the Group's daily business operations. Duplication or downloading of information, software and images from the internet must be approved by the relevant department head. Furthermore, the Group closely monitors the infringement actions in the market and prevent the arising of any infringement behaviour among the employees. The Group has monitoring procedures in place to ensure that intellectual property rights are not being infringed upon.

Customer Privacy Protection

During the course of provision of products and services, a wide range of sensitive information is entrusted to the Group by its customers. To ensure that the information is properly stored and managed, the Group has installed firewall, anti-virus and anti-spam solutions in its IT systems which will be routinely upgraded to prevent potential data leakage. Furthermore, the Group restricts employee access to sensitive customer data and allowing access only to the relevant employees for carrying out their duties.

Advertising and Labelling

The Group strives to ensure all the external promotion items, such as leaflets, brochures, press releases, etc. are clear, accurate, complete, and in compliance with the relevant laws and regulations. Guidelines on the requirements for posting money lending business advertisement are formally documented in the operation procedures handbook. To promote responsible money lending services, relevant employees are required to familiarise themselves with the related guidelines on the proper money lending procedures. The guidelines state that advertisement, whether in textual, audio or visual form, must contain a telephone hotline for handling customer complaints and a clear risk warning statement. The said risk warning statement must also be audible in the audio part of the advertisement.

B. SOCIAL (continued)

B7. ANTI-CORRUPTION

The Group believes that honesty, integrity and fair play are important for its reputation and business operations. The Group affirms its zero-tolerance policy towards dishonesty, disloyalty, corruption, fraud and all other related behaviours that severely violate professionalism and work ethics, and places high priority on integrity, honesty and fairness.

The policies on corruption, bribery, extortion, fraud and money laundering are clearly stated in the Group's Code of Conduct handbook. Any advantage, including gift, loan, fee, reward, etc. in connection with work without permission is prohibited. The Group adopts zero-tolerance to all kind of corruption, frauds and other behaviours going against work ethics. Any employee breaching the said code will be disciplined, including termination of his/her employment, and may be prosecuted under the Prevention of Bribery Ordinance.

During FY2021, the Group was not aware of any cases that constituted material non-compliance with the laws and regulations related to bribery, fraud, extortion and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance. There were no concluded legal cases regarding any form of corruption practices brought against the Group or its employees during FY2021.

Anti-corruption Mechanism

The Group does not put up with any corruption, fraud and other behaviours going against work ethics. The Group values integrity, honesty and equality as essential and vital aspects when operating its businesses. The circumstances leading to the arise of potential conflict of interest and the employee code of ethics are clearly explained to all the Group's employees and they are advised of declaring any potential conflicts of interest and ethical issues when circumstances arise.

Disciplinary actions will be taken by the Group immediately if any employees are found to be involved in fraud-related activities which are detrimental to the Group's operations. Disciplinary actions on individuals are based on the level of severity, which include termination of employment and reporting to the relevant law enforcement and/or regulatory authorities for investigation.

Anti-money Laundering (AML) and Counter-financing of Terrorism (CFT)

The Group places great emphasis on AML and CFT issues. Apart from compliance with the relevant laws and regulations in relation to AML/CFT, the Group has established an AML/CFT policy to help protect the financial integrity of its operations. The management will report to the Audit Committee directly if any unusual activities are spotted with indicators of AML/CFT.

B. SOCIAL (continued)

B7. ANTI-CORRUPTION (continued)

Business Ethics

The Group strongly emphasises on ethical standards and strict compliance with the relevant laws and regulations in its business operations. To achieve these goals, the Group has adopted and implemented relevant policies, guidelines and standards and revises them regularly to meet with changing circumstances. To ensure that all employees can perform their duties with high ethical standards and professionalism, the Group has arranged internal and external anti-corruption and corporate governance trainings and encouraged employees to actively learn about the latest development and future trends of global anti-money laundering activities. During FY2021, the Group's directors and employees had received a total of 8 hours and 3 hours of anti-corruption training respectively.

Whistleblowing Channel

The Group forbids any misconduct such as corruption, bribery, extortion, fraud and money laundering. Any complaints on the possible breach of the Group's Code of Conduct, or suspected misconduct can be made directly to the directors of the Company, and will be treated promptly and fairly. Investigations against any suspicious or illegal behavior will be conducted to protect the Group's interests. The Group has established a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimization. When criminality is suspected, a report will be made to the relevant regulators or law enforcement authorities.

B8. COMMUNITY INVESTMENT

The Group is committed to supporting the community by various means of social participation and contribution as part of its strategic development. As a responsible corporation, the Group strives to nurture a "give-back" culture within the corporation and inspire the sense of social responsibility of its employees by encouraging them to participate in charitable activities during their works and spare time.

During FY2021, the Group has devoted significant resources to maintain its business operations amidst the pandemic including various support to its employees and suspended its philanthropic activities. The Group will focus more on social participation and community investment, particularly in the area of supporting the development of public health and safety, when the pandemic eases.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINA STRATEGIC HOLDINGS LIMITED
中策集團有限公司
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 163, which comprise the consolidated statement of financial position at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

KEY AUDIT MATTERS

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

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KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision of expected credit losses ("ECL") for debt instruments at fair value through other comprehensive income ("FVTOCI")	
We identified the provision of ECL for debt instruments at FVTOCI as a key audit matter due to the determination of loss allowances for debt instruments at FVTOCI using the ECL model involves significant estimates and judgements, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward-looking information. As disclosed in Note 21 to the consolidated financial statements, the fair value of debt instruments at FVTOCI is HK$63,960,000 at 31 December 2021 and impairment allowance of HK$253,348,000 is provided for the current year. Since the debt instruments are listed and external credit ratings are available, the Group maximises the use of these ratings in the determination of the probability of default and loss given default, whenever applicable, and the ECL amount, after making appropriate adjustments for forward-looking information (including macroeconomic data). The information about the ECL on the Group's debt instruments at FVTOCI are disclosed in Note 35. The calculation of ECL amount also reflects the time value of money. The Group had engaged an independent professional valuer to perform ECL assessment.	Our procedures in relation to ECL for debt instruments at FVTOCI included: • Understanding and assessing the design and implementation of key internal controls of the credit grading process and measurement of loss allowances; • Evaluating methodology and assumptions used by management in determining ECL; • Testing the integrity of significant inputs used by management in determining ECL and the mathematical accuracy of the calculations; and • Engaging our internal specialists to review the significant management judgements and assumptions, including (i) the criteria for significant increase in credit risk made by assessing credit rating migration between origination date and reporting date; (ii) reasonableness of probability of default, recovery rate and loss given default; and (iii) the use of economic variables and relative weighting for forward-looking scenarios.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision of ECL and impairment assessment on loan receivables	
We identified the provision of ECL and impairment assessment on loan receivables as a key audit matter due to management judgement being required in making an assessment of the adequacy of the provision of ECL and impairment assessment for loan receivables arising from the money lending business. As detailed in Note 22 to the consolidated financial statements, the Group's loan receivables at 31 December 2021 amounted to HK$1,234,675,000 and impairment allowance of HK$20,347,000 is provided for the current year. In determining the impairment of loan receivables, the ECL of the loan receivables were assessed by the management after taking into account of the credit loss experience, ageing of overdue balances, cash flows that are expected from the realisation of collateral, borrowers' repayment history and financial condition of borrowers as well as forward-looking information. The information about the ECL on the Group's loan receivables are disclosed in Note 35.	Our procedures in relation to management's impairment assessment of loan receivables included: • Understanding and evaluating the entity's key controls on how the management estimates the credit loss allowance for loan receivables; • Evaluating management's assessment of the internal credit rating of the loan receivables by reference to past due status, past collection history and financial condition of the borrowers; and • Understanding management's basis and judgement in determining credit loss allowance on loan receivables at 31 December 2021, including the identification of credit-impaired loan receivables, estimated loss rates applied to each borrower, collaterals pledged to the Group, the use of economic variables and relative weighting for forward-looking scenarios.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 28 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**423,994**	256,347
Trading income		**222,394**	4,062
Dividend income		**987**	7,033
Interest income		**194,015**	239,174
Commission, underwriting fee and other income		**6,598**	6,078
Purchases and related expenses		**(222,142)**	(4,023)
Other income	7	**2,719**	20,581
Other gain and loss, net	8	**(648)**	(628)
Staff costs	12	**(30,537)**	(27,630)
Provision for impairment losses under expected credit loss model, net of reversal	12	**(273,695)**	(221,796)
Other expenses		**(65,063)**	(39,849)
Net (loss) gain on financial assets at fair value through profit or loss	9	**(3,674,811)**	2,905,676
Loss on disposal of debt instruments at fair value through other comprehensive income		**(78,780)**	(17,079)
Finance costs	10	**(111,713)**	(158,640)
(Loss) profit before tax		**(4,030,676)**	2,712,959
Income tax credit (expense)	11	**447,379**	(429,772)
(Loss) profit for the year attributable to owners of the Company	12	**(3,583,297)**	2,283,187
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	30	**(15,482)**	5,208
Net fair value loss on debt instruments at fair value through other comprehensive income		**(268,398)**	(29,768)
Release on disposal of debt instruments at fair value through other comprehensive income		**78,780**	17,079
Provision for impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss	12	**253,348**	18,873
Other comprehensive income for the year		**48,248**	11,392
Total comprehensive (expense) income for the year attributable to owners of the Company		**(3,535,049)**	2,294,579
(Loss) earnings per share attributable to owners of the Company			
– Basic	16	**HK(17.58) cents**	HK13.29 cents

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**14,745**	18,196
Right-of-use assets	*18*	**19,095**	28,388
Goodwill	*19*	**4,000**	4,000
Club debentures	*20*	**1,928**	1,928
Debt instruments at fair value through other comprehensive income	*21*	**63,960**	401,813
Deferred tax assets	*30*	**29,856**	27,067
Total non-current assets		**133,584**	481,392
Current assets			
Loan receivables	*22*	**1,234,675**	1,448,295
Trade and other receivables	*23*	**234,712**	175,487
Income tax recoverable		**570**	22,841
Financial assets at fair value through profit or loss	*24*	**26,632**	4,073,317
Pledged bank deposits	*25*	**3,096**	3,096
Bank balances and cash	*25*	**1,526,693**	2,277,270
Total current assets		**3,026,378**	8,000,306
Current liabilities			
Trade and other payables	*26*	**26,539**	68,240
Income tax payable		**9,973**	8,794
Borrowings	*27*	**–**	355,000
Notes payable	*28*	**692,107**	1,170,725
Lease liabilities	*29*	**9,371**	9,083
Total current liabilities		**737,990**	1,611,842
Net current assets		**2,288,388**	6,388,464
Total assets less current liabilities		**2,421,972**	6,869,856

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Notes payable	28	–	478,152
Lease liabilities	29	7,892	17,263
Deferred tax liabilities	30	–	435,393
Total non-current liabilities		7,892	930,808
Net assets		2,414,080	5,939,048
Capital and reserves			
Share capital	31	3,216,110	3,216,110
Reserves		(802,030)	2,722,938
Total equity		2,414,080	5,939,048

The consolidated financial statements on pages 76 to 163 have been approved and authorised for issue by the Board on 28 March 2022 and are signed on its behalf by:

Dr. Or Ching Fai *Director*	**Sue Ka Lok** *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK$'000	Shareholder's contribution reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2020	3,012,877	–	(18,918)	375,830	3,369,789
Profit for the year	–	–	–	2,283,187	2,283,187
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	–	–	5,208	–	5,208
Net fair value loss on debt instruments at fair value through other comprehensive income	–	–	(29,768)	–	(29,768)
Release on disposal of debt instruments at fair value through other comprehensive income	–	–	17,079	–	17,079
Impairment loss on debt instruments at fair value through other comprehensive income	–	–	18,873	–	18,873
Total comprehensive income for the year	–	–	11,392	2,283,187	2,294,579
Shareholder's contribution *(Note 28)*	–	71,447	–	–	71,447
Issue of shares *(Note 31)*	203,852	–	–	–	203,852
Transaction cost attributable to issue of shares *(Note 31)*	(619)	–	–	–	(619)
At 31 December 2020	3,216,110	71,447	(7,526)	2,659,017	5,939,048
Loss for the year	**–**	**–**	**–**	**(3,583,297)**	**(3,583,297)**
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	**–**	**–**	**(15,482)**	**–**	**(15,482)**
Net fair value loss on debt instruments at fair value through other comprehensive income	**–**	**–**	**(268,398)**	**–**	**(268,398)**
Release on disposal of debt instruments at fair value through other comprehensive income	**–**	**–**	**78,780**	**–**	**78,780**
Impairment loss on debt instruments at fair value through other comprehensive income	**–**	**–**	**253,348**	**–**	**253,348**
Total comprehensive income (expense) for the year	**–**	**–**	**48,248**	**(3,583,297)**	**(3,535,049)**
Shareholder's contribution *(Note 28)*	**–**	**24,278**	**–**	**–**	**24,278**
Loss on early redemption *(Note 28)*	**–**	**(14,197)**	**–**	**–**	**(14,197)**
At 31 December 2021	**3,216,110**	**81,528**	**40,722**	**(924,280)**	**2,414,080**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Operating activities			
(Loss) profit before tax		**(4,030,676)**	2,712,959
Adjustments for:			
Finance costs		**111,713**	158,640
Bank interest income		**(1,919)**	(11,167)
Other interest income		**(800)**	(7,013)
Loan interest income		**(149,905)**	(180,151)
Interest income from securities margin financing		**(6,626)**	(1,125)
Interest income from debt instruments at fair value through other comprehensive income		**(37,484)**	(57,898)
Depreciation of property, plant and equipment	12	**3,275**	3,369
Depreciation of right-of-use assets	12	**9,293**	9,582
Dividends from equity investments		**(987)**	(7,033)
Gain on disposals of property, plant and equipment		**(350)**	–
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income	12	**273,695**	221,796
Loss on disposal of debt instruments at fair value through other comprehensive income		**78,780**	17,079
Net unrealised loss (gain) on financial assets at fair value through profit or loss		**4,885**	(2,979,472)
Operating cash flows before movements in working capital		**(3,747,106)**	(120,434)
Increase in trade and other receivables		**(66,457)**	(66,391)
Decrease in loan receivables		**213,416**	803,363
Decrease in financial assets at fair value through profit or loss		**4,041,800**	360,253
Decrease in trade and other payables		**(22,669)**	(17,809)
Decrease (increase) in bank balances - client accounts		**18,997**	(2,523)
Cash from operations		**437,981**	956,459
Income tax refunded (paid)		**17,165**	(40,003)
Interest received		**183,823**	228,154
Net cash from operating activities		**638,969**	1,144,610
Investing activities			
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**69,455**	525,780
Proceeds from disposals of property, plant and equipment		**860**	–
Dividend received		**987**	7,033
Withdrawal of pledged bank deposits		**–**	28,971
Purchase of property, plant and equipment	17	**(334)**	(1,777)
Net cash from investing activities		**70,968**	560,007

	Notes	2021 HK$'000	2020 HK$'000
Financing activities			
New borrowings raised		–	478,553
Repayments of borrowings		**(355,000)**	(588,251)
Interest paid		**(77,434)**	(133,917)
Repayment of lease liabilities		**(9,083)**	(9,296)
Redemption of notes issued	*28*	**(1,000,000)**	(1,250,000)
Net proceeds from issue of notes	*28*	–	1,700,000
Proceeds from issue of shares	*31*	–	203,852
Transaction costs attributable to issue of shares	*31*	–	(619)
Net cash (used in) from financing activities		**(1,441,517)**	400,322
Net (decrease) increase in cash and cash equivalents		**(731,580)**	2,104,939
Cash and cash equivalents at the beginning of the year		**2,240,732**	135,793
Cash and cash equivalents at the end of the year		**1,509,152**	2,240,732
Represented by:			
Bank balances and cash			
– General accounts and cash	*25*	**1,509,152**	2,240,732

1. GENERAL INFORMATION

China Strategic Holdings Limited is a public limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of the Hong Kong Stock Exchange. The registered office and principal place of business of the Company is Rooms 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 39 to the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance contracts and the related amendments[3]
Amendments to HKFRS 3	Reference to the conceptual framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies[3]
Amendments to HKAS 8	Definition of accounting estimates[3]
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction[3]
Amendments to HKAS 16	Property, plant and equipment - proceeds before intended use[2]
Amendments to HKAS 37	Onerous contracts - cost of fulfilling a contract[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 - 2020[2]

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

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

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

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

Amendments to HKAS 1 "Classification of liabilities as current or non-current and related amendments to Hong Kong interpretation 5 (2020)"

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

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

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

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

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

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

Based on the Group's outstanding liabilities at 31 December 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

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

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

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

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

Current tax

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

Deferred tax

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Current and deferred tax for the year

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets other than goodwill (continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net gain (loss) on financial assets at fair value through profit or loss" line item.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables from contracts with customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

(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.

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for trade receivables from contracts with customers are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition/modification of financial liabilities

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

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers 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 interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, and any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition/modification of financial liabilities (continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification. When the entity receives financing from the owners of the Group at a non-market interest rate, the difference arising on initial recognition of the financial liability (between the proceeds and the fair value of the financial liability) is recognised as a distribution or capital contribution in line with the Conceptual Framework for Financial Reporting 2018 as it does not meet the definition of expenses or income. Accordingly, for non-substantial modification of financial liabilities that do not result in derecognition and where the difference arising on initial recognition of the financial liability was originally recognised as a distribution or capital contribution in the shareholder's contribution reserve, any adjustment to the carrying amount of the financial liability is recognised in the shareholder's contribution reserve at the date of modification.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Provision of ECL for debt instruments at FVTOCI

The Group had engaged an independent professional valuer to perform ECL assessment for debt instruments at FVTOCI individually. The management takes into consideration historical data from an international credit rating agency along with forward-looking information available without undue cost or effort.

The provision of ECL involves significant estimates and judgements, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward-looking information (including macroeconomic data). The credit rating of the debt instruments held by the Group was downgraded by rating agencies during the year ended 31 December 2021, and this has been incorporated into the estimate of ECL in combination with forward-looking adjustments. The information about the Group's debt instruments at FVTOCI and the ECL are disclosed in Notes 21 and 35 respectively.

At 31 December 2021, the carrying amounts of debt instruments at FVTOCI were HK$63,960,000 (2020: HK$401,813,000) with impairment allowance of HK$253,348,000 (2020: HK$18,873,000) recognised during the year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of ECL and impairment loss for loan receivables

The Group performed impairment assessment for loan receivables under ECL model on an individual basis. ECL for loan receivables are based on management's estimation of the amounts and timing of future cash flows collectible from the loan receivables, and the assessment of the existence of any significant increase in credit risk of the loan receivables since initial recognition, after taking into account the credit loss experience, ageing of overdue balances, cash flows that are expected from the realisation of collateral, borrowers' repayment history, financial condition of borrowers and the incorporation of forward-looking information, all of which involve a significant degree of management judgement.

The provision of ECL is sensitive to changes in estimates. The information about the Group's loan receivables and the ECL are disclosed in Notes 22 and 35 respectively.

At 31 December 2021, the carrying amounts of loan receivables were HK$1,234,675,000 (2020: HK$1,448,295,000) with impairment allowance of HK$20,347,000 (2020: HK$202,923,000) recognised during the year.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2021	2020
	HK$'000	*HK$'000*
Trading of coke products	**222,394**	–
Sales of electronic components	**–**	4,062
Dividend income from financial assets at FVTPL	**987**	7,033
Interest income from debt instruments at FVTOCI	**37,484**	57,898
Interest income from securities margin financing business	**6,626**	1,125
Interest income from money lending business	**149,905**	180,151
Arrangement fee income from money lending business	**425**	613
Commission and handling income from securities brokerage business	**6,173**	5,128
Underwriting fee income from securities brokerage business	**–**	337
	423,994	256,347

5. REVENUE (continued)

Disaggregation of revenue from contracts with customers and reconciliation of total revenue:

Segments	Investment in securities HK$'000	Trading HK$'000	Money lending HK$'000	Securities brokerage HK$'000	Total HK$'000
For the year ended 31 December 2021					
Types of goods and services					
Commission and other income	**–**	**–**	**425**	**6,173**	**6,598**
Trading income					
Coke products	**–**	**222,394**	**–**	**–**	**222,394**
Revenue from contracts with customers	**–**	**222,394**	**425**	**6,173**	**228,992**
Dividend income	**987**	**–**	**–**	**–**	**987**
Interest income	**37,484**	**–**	**149,905**	**6,626**	**194,015**
Total revenue	**38,471**	**222,394**	**150,330**	**12,799**	**423,994**
For the year ended 31 December 2020					
Types of goods and services					
Commission, underwriting fee and other income	–	–	613	5,465	6,078
Trading income					
Electronic components	–	4,062	–	–	4,062
Revenue from contracts with customers	–	4,062	613	5,465	10,140
Dividend income	7,033	–	–	–	7,033
Interest income	57,898	–	180,151	1,125	239,174
Total revenue	64,931	4,062	180,764	6,590	256,347

5. REVENUE (continued)

During the years ended 31 December 2021 and 2020, the revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15.

The Group recognises revenue from trading of coke products and electronic components. The Group acts as the principal for such transactions as it controls the specified goods before they are transferred to the customer and it is primarily responsible for fulfilment of the promise to provide the goods. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. For trading business, the Group normally allows credit period for trade customers ranging from 30 to 180 days (2020: 30 to 180 days).

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Underwriting fee income is recognised at a point in time when the transactions are executed and services are completed. Other service income is recognised when the related services are rendered.

This is consistent with the revenue information disclosed for each operating segment.

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker, for the purposes of allocating resources and assessment of segment performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 are as follows:

1. Investment in securities
2. Trading of coke products and electronic components ("Trading")
3. Money lending
4. Securities brokerage

6. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments.

For the year ended 31 December 2021

	Investment in securities *HK$'000*	Trading *HK$'000*	Money lending *HK$'000*	Securities brokerage *HK$'000*	Total *HK$'000*
Segment revenue					
External sales/sources	38,471	222,394	150,330	12,799	423,994
Results					
Segment results	(3,970,273)	180	123,434	9,084	(3,837,575)
Other income					1,618
Other gain and loss, net					143
Central administrative expenses					(83,149)
Finance costs					(111,713)
Loss before tax					(4,030,676)
Income tax credit					447,379
Loss for the year					(3,583,297)
Other segment information					
Net loss on financial assets at FVTPL	3,674,811	–	–	–	3,674,811
Loss on disposal of debt instruments at FVTOCI	78,780	–	–	–	78,780
Impairment loss on loan receivables	–	–	20,347	–	20,347
Impairment loss on debt instruments at FVTOCI	253,348	–	–	–	253,348

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2020

	Investment in securities HK$'000	Trading HK$'000	Money lending HK$'000	Securities brokerage HK$'000	Total HK$'000
Segment revenue					
External sales/sources	64,931	4,062	180,764	6,590	256,347
Results					
Segment results	2,939,628	(165)	(27,348)	3,671	2,915,786
Other income					12,883
Other gain and loss, net					(95)
Central administrative expenses					(56,975)
Finance costs					(158,640)
Profit before tax					2,712,959
Income tax expense					(429,772)
Profit for the year					2,283,187
Other segment information					
Net gain on financial assets at FVTPL	2,905,676	–	–	–	2,905,676
Loss on disposal of debt instruments at FVTOCI	17,079	–	–	–	17,079
Impairment loss on loan receivables	–	–	202,923	–	202,923
Impairment loss on debt instruments at FVTOCI	18,873	–	–	–	18,873

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of certain other income, certain other gain and loss, net, central administrative expenses (including depreciation of property, plant and equipment and right-of-use assets), finance costs and income tax credit (expense).

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	2021	2020
	HK$'000	*HK$'000*
Segment assets		
Investment in securities	**103,098**	4,645,933
Trading	**1,389**	3,031
Money lending	**1,439,280**	1,549,021
Securities brokerage	**486,245**	309,037
Total segment assets	**2,030,012**	6,507,022
Property, plant and equipment	**14,745**	18,196
Right-of-use assets	**19,095**	28,388
Bank balances and cash	**1,089,566**	1,921,585
Other unallocated assets	**6,544**	6,507
Consolidated assets	**3,159,962**	8,481,698
Segment liabilities		
Investment in securities	**4,875**	796,621
Trading	**114**	334
Money lending	**1,315**	1,249
Securities brokerage	**21,209**	40,479
Total segment liabilities	**27,513**	838,683
Other payables	**8,999**	28,744
Notes payable	**692,107**	1,648,877
Lease liabilities	**17,263**	26,346
Consolidated liabilities	**745,882**	2,542,650

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, right-of-use assets, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables, notes payable and lease liabilities.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers/sources by geographical location of the customers/sources is presented based on the location of the customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets *(Note)*	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**201,600**	254,889	**32,780**	45,356
The PRC	**–**	1,458	**2,988**	3,156
Singapore	**222,394**	–	**–**	–
	423,994	256,347	**35,768**	48,512

Note: Non-current assets excluded goodwill, debt instruments at FVTOCI and deferred tax assets.

Information about major customers

Revenue from customer of trading business contributing over 10% of the total revenue of the Group for the corresponding years is as follows:

	For the year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Customer A	**222,394**	–[1]

[1] No revenue generated from the customer during the prior year.

7. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**1,919**	11,167
Other interest income	**800**	7,013
Government grants *(Note)*	**–**	2,259
Others	**–**	142
	2,719	20,581

Note: During the year ended 31 December 2020, the Group recognised government grants of HK$2,259,000 in respect of COVID-19-related subsidies, of which HK$2,209,000 related to Employment Support Scheme provided by the Hong Kong government.

8. OTHER GAIN AND LOSS, NET

	2021	2020
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**350**	–
Exchange loss, net	**(998)**	(628)
	(648)	(628)

9. NET (LOSS) GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Net unrealised (loss) gain on financial assets at FVTPL	**(4,885)**	2,979,472
Net realised loss on sales of financial assets at FVTPL	**(3,669,926)**	(73,796)
	(3,674,811)	2,905,676

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on borrowings	**17,605**	11,687
Interest on notes payable *(Note 28)*	**93,447**	146,611
Interest on lease liabilities	**661**	342
	111,713	158,640

11. INCOME TAX CREDIT (EXPENSE)

	2021 HK$'000	2020 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**(4,682)**	(10,795)
(Under) overprovision in prior years		
– Hong Kong Profits Tax	**(1,603)**	2,705
	(6,285)	(8,090)
Deferred tax *(Note 30)*	**453,664**	(421,682)
Income tax credit (expense) recognised in profit or loss	**447,379**	(429,772)

11. INCOME TAX CREDIT (EXPENSE) (continued)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

	2021 ***HK$'000***	2020 *HK$'000*
(Loss) profit before tax	**(4,030,676)**	2,712,959
Tax at the domestic income tax rate of 16.5%	**(665,062)**	447,638
Tax effect of expenses not deductible for tax purpose	**149,379**	10,023
Tax effect of income not taxable for tax purpose	**(6,653)**	(26,871)
Under (over)provision in prior years	**1,603**	(2,705)
Tax effect of tax losses not recognised	**79,374**	7,562
Income tax at concessionary rate	**(165)**	(165)
Utilisation of tax losses previously not recognised	**(5,855)**	(5,710)
Income tax (credit) expense for the year	**(447,379)**	429,772

12. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging the following items:

	2021 **HK$'000**	2020 *HK$'000*
Staff costs		
– directors' emoluments *(Note 13)*	**9,174**	7,591
– other staff salaries, wages and other benefits	**20,518**	19,192
– retirement benefit scheme contributions, excluding directors	**845**	847
Total staff costs	**30,537**	27,630
Provision for impairment loss on loan receivables	**20,347**	202,923
Provision for impairment loss on debt instruments at FVTOCI	**253,348**	18,873
Total impairment losses	**273,695**	221,796
Auditor's remuneration	**2,050**	2,058
Depreciation of property, plant and equipment	**3,275**	3,369
Depreciation of right-of-use assets	**9,293**	9,582
Cost of inventories recognised as expenses	**191,549**	4,021

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2020: nine) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, were as follows:

	2021					2020				
	Fee *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*	Fee *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*
Executive directors										
– Mr. Sue Ka Lok	-	2,145	107	-	2,252	-	2,145	107	-	2,252
– Ms. Lee Chun Yeung, Catherine *(Note (i))*	-	763	38	-	801	-	1,144	57	-	1,201
– Mr. Chow Kam Wah	-	1,235	18	-	1,253	-	1,235	18	-	1,253
– Mr. Chow Man Wai, Tony *(Note (ii))*	-	1,950	18	-	1,968	-	73	1	103	177
	-	6,093	181	-	6,274	-	4,597	183	103	4,883
Non-executive director										
– Dr. Or Ching Fai	2,150	-	-	-	2,150	2,150	-	-	-	2,150
Independent non-executive directors										
– Ms. Ma Yin Fan	200	-	-	-	200	200	-	-	-	200
– Mr. Chow Yu Chun, Alexander	200	-	-	-	200	200	-	-	-	200
– Mr. Leung Hoi Ying	150	-	-	-	150	150	-	-	-	150
– Mr. Lam Kin Fung, Jeffrey *(Note (ii))*	200	-	-	-	200	8	-	-	-	8
	750	-	-	-	750	558	-	-	-	558
Total	2,900	6,093	181	-	9,174	2,708	4,597	183	103	7,591

Notes:

(i) Resigned on 30 July 2021.

(ii) Appointed on 18 December 2020.

For the year ended 31 December 2020, the payment of discretionary bonus to an executive director was made under the recommendation of the Remuneration Committee and was at the discretion of the Board, the amount was determined with reference to the director's performance and the Group's performance for the year.

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

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

During the year, no emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments for both years.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2020: four) of them were executive directors or non-executive director of the Company whose emoluments are included in Note 13 above. The emolument of the remaining one (2020: one) individual was as follows:

	2021	2020
	HK$'000	*HK$'000*
Salaries and other benefits	**2,224**	1,040
Retirement benefit scheme contributions	**18**	52
	2,242	1,092

The emolument was within the following band:

	Number of individual	
	2021	2020
HK$1,000,001 - HK$1,500,000	**–**	1
HK$2,000,001 - HK$2,500,000	**1**	–
	1	1

15. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2021 (2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	2021	2020
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	**(3,583,297)**	2,283,187

	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**20,385,254**	17,182,655

Diluted (loss) earnings per share for the years ended 31 December 2021 and 2020 are not presented as there were no dilutive potential ordinary shares in issue during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
Cost						
At 1 January 2020	2,125	4,341	505	3,258	25,773	36,002
Additions	–	1,461	64	–	252	1,777
At 31 December 2020	2,125	5,802	569	3,258	26,025	37,779
Additions	–	300	34	–	–	334
Disposals	–	–	–	(2,548)	–	(2,548)
At 31 December 2021	**2,125**	**6,102**	**603**	**710**	**26,025**	**35,565**
Accumulated depreciation						
At 1 January 2020	1,271	3,821	288	2,040	8,794	16,214
Provided for the year	68	232	62	407	2,600	3,369
At 31 December 2020	1,339	4,053	350	2,447	11,394	19,583
Provided for the year	68	357	58	190	2,602	3,275
Eliminated on disposals for the year	–	–	–	(2,038)	–	(2,038)
At 31 December 2021	**1,407**	**4,410**	**408**	**599**	**13,996**	**20,820**
Carrying values						
At 31 December 2021	**718**	**1,692**	**195**	**111**	**12,029**	**14,745**
At 31 December 2020	786	1,749	219	811	14,631	18,196

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

Buildings	Over the shorter of the term of the lease of 40 - 50 years or 2.5%
Furniture and fixtures	12.5% - 20%
Machinery and equipment	12.5% - 20%
Motor vehicles	12.5%
Vessels	10%

At 31 December 2021 and 2020, the buildings of the Group are situated on land in the PRC.

At 31 December 2021, no property, plant and equipment (2020: HK$17,042,000) were pledged as security for credit facilities granted to the Group.

18. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
Carrying amount	
At 31 December 2021	**19,095**
At 31 December 2020	28,388
Depreciation	
Provided for the year ended 31 December 2021	**9,293**
Provided for the year ended 31 December 2020	9,582

	2021 ***HK$'000***	2020 *HK$'000*
Expense relating to short-term leases	**8**	26
Total cash outflow for leases	**9,752**	9,664
Addition to right-of-use assets	**–**	27,536

For both years, the Group leases offices for its operations. Lease contracts are entered into for fixed term of three years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. GOODWILL

For the purpose of impairment testing, goodwill is allocated to the securities brokerage business, being one of the Group's cash generating units identified according to segment information.

The recoverable amount of the securities brokerage business was calculated based on its value in use determined by the Group's management. The calculation used cash flow projections from financial budgets of the securities brokerage business covering a five-year period, at a discount rate of 11.16% (2020: 11.86%), approved by the Group's management. Cash flows after the five-year period were assumed to have no growth.

A key assumption affecting the result of the value in use calculation is the profit forecast of the securities brokerage business. Such estimation is based on the historical performance and management's expectation of the development of the securities brokerage business under the prevailing market conditions. No impairment on goodwill was made for the years ended 31 December 2021 and 31 December 2020. The management believes that any reasonably possible change in the assumption would not cause the aggregate carrying amount of the cash generating unit exceeds the aggregate recoverable amount of it.

20. CLUB DEBENTURES

The club debentures represent the club membership of three (2020: three) private clubs in Hong Kong. The directors of the Company are of opinion that it is not necessary to make any impairment on the club debentures since their quoted prices are higher than their carrying values.

At 31 December 2021, no club debentures (2020: HK$1,453,000) were pledged as security for credit facilities granted to the Group.

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 ***HK$'000***	2020 *HK$'000*
Listed investments, at fair value:		
– Debt securities listed overseas (2020: Hong Kong or overseas) with fixed interest(s) at 9.50% (2020: ranging from 5.65% to 9.50%) per annum and maturity date(s) on 29 March 2024 (2020: ranging from 18 January 2023 to 28 June 2025)	**63,960**	401,813
Analysed as:		
Non-current portion	**63,960**	401,813

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

During the year ended 31 December 2021, the Group divested part of its investments in the amount of HK$148,235,000 with cumulative loss of HK$78,780,000 (2020: HK$542,859,000 with cumulative loss of HK$17,079,000) previously accumulated in the investment revaluation reserve, the cumulative loss was subsequently reclassified to profit or loss accordingly.

At 31 December 2021 and 31 December 2020, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange or the overseas stock exchange.

The Group provided impairment allowance of HK$253,348,000 (2020: HK$18,873,000) on debt instruments at FVTOCI for the current year.

At 31 December 2021, no debt securities (2020: HK$401,813,000) were pledged as security for credit facilities granted to the Group.

All debt instruments at FVTOCI were denominated in United States dollars.

Details of impairment assessment are set out in Note 35.

22. LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Fixed-rate loan receivables	**1,491,216**	1,821,549
Less: impairment allowance	**(256,541)**	(373,254)
	1,234,675	1,448,295
Analysed as:		
Current portion	**1,234,675**	1,448,295
Analysed as:		
Secured	**1,223,824**	1,436,779
Unsecured	**10,851**	11,516
	1,234,675	1,448,295

At 31 December 2021, the range of interest rates and maturity dates attributed to the Group's performing loan receivables was 8.5% to 13% (2020: 10% to 14.25%) per annum and from 4 March 2022 to 27 December 2022 (2020: 19 February 2021 to 31 May 2021) respectively.

The analysis of the Group's fixed-rate loan receivables by their respective contractual maturity dates is as follows:

	2021 HK$'000	2020 HK$'000
Fixed-rate loan receivables:		
Within one year or on demand	**1,234,675**	1,448,295

The Group provided impairment allowance of HK$20,347,000 (2020: HK$202,923,000) on loan receivables for the current year.

Details of impairment assessment are set out in Note 35.

23. TRADE AND OTHER RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables of securities brokerage business:		
– Cash clients *(Note (i))*	**4,169**	2,941
– Margin clients *(Note (i))*	**119,633**	100,153
– Hong Kong Securities Clearing Company Limited ("HKSCC") *(Note (i))*	**86,822**	–
	210,624	103,094
Other receivables *(Note (ii))*	**24,088**	26,793
Note receivable *(Note (iii))*	**–**	45,600
	234,712	175,487

Notes:

(i) For securities brokerage business, the normal settlement terms of trade receivables from cash clients and HKSCC are two days after trade date. The trade receivables from cash and margin clients and HKSCC with carrying amounts totalling HK$210,624,000 (2020: HK$103,094,000) were not past due at the end of the reporting period.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them individually is determined based on a discount on the market value of securities pledged to the Group. Any excess in the lending ratio will trigger a margin call for which the clients concerned have to make good the shortfall. At 31 December 2021, the market value of securities pledged by clients to the Group as collateral against margin client receivables amounted to HK$1,501,969,000 (2020: HK$2,062,243,000).

(ii) Included in other receivables were unrestricted deposits of HK$4,261,000 (2020: HK$3,433,000) placed with securities brokers. The remaining balance of other receivables represented mainly interest receivable, prepayment and deposits for office use.

(iii) The amount represented the outstanding principal of a convertible note subscribed by the Group, which was originally due for repayment on 15 December 2019. Pursuant to a deed entered into between the relevant parties on 10 February 2020, the conversion rights under the note were removed and the note ceased to be convertible into shares of the issuer. The repayment date of the outstanding principal of the note of HK$49,400,000 was extended from 15 December 2019 to 15 May 2020 with the note bearing interest at the rate of 12% per annum. During the year ended 31 December 2020, outstanding principal of the note of HK$3,800,000 was settled and the repayment date of the remaining outstanding principal of the note was further extended to 14 October 2020 with the note bearing interest at the rate of 16% per annum. The remaining outstanding principal of the note was fully settled during the current year.

23. TRADE AND OTHER RECEIVABLES (continued)

For the years ended 31 December 2021 and 2020, the Group performed impairment assessment on trade and other receivables and concluded that the ECL were insignificant, accordingly, no impairment was recognised on trade and other receivables at the end of both of the reporting periods. Details of impairment assessment are set out in Note 35.

At 31 December 2021, no trade and other receivables (2020: HK$66,670,000) were pledged as security for credit facilities granted to the Group.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Listed investments, at fair value:		
– Equity securities listed in Hong Kong *(Note (i))*	**26,332**	4,073,317
Unlisted investments, at fair value:		
– Unlisted equity securities *(Note (ii))*	**300**	–
	26,632	4,073,317
Analysed as:		
Current portion	**26,632**	4,073,317

Notes:

(i) The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange.

(ii) The fair value was determined with reference to the net asset value of the unlisted equity, which mainly comprised bank balances.

The unlisted equity represents the equity interest in a licensed corporation registered with the Hong Kong Securities and Futures Commission, which is a company licensed to conduct regulated activities of advising on securities and asset management.

At 31 December 2021, no equity securities (2020: HK$4,073,317,000) were pledged as security for credit facilities granted to the Group.

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2021	2020
	HK$'000	*HK$'000*
Bank balances and cash:		
– General accounts and cash *(Note (i))*	**1,509,152**	2,240,732
– Client accounts *(Note (ii))*	**17,541**	36,538
	1,526,693	2,277,270

Notes:

(i) The accounts comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group. The amounts carried interest of 0.01% (2020: ranging from 0.01% to 0.25%) per annum.

(ii) The Group's securities brokerage business receives and holds money deposited by clients during the course of conducting its regulated activities in its ordinary course of business. Such client's monies are maintained in a segregated bank account. The Group has recognised the corresponding account payables to respective clients.

The Group's bank balances and cash and pledged bank deposits denominated in currencies other than functional currencies of the Group are set out below:

	2021	2020
	HK$'000	*HK$'000*
RMB	**827**	963
US$	**239,769**	335,607

At 31 December 2021, no bank balances and cash (2020: HK$109,252,000) were pledged as security for credit facilities granted to the Group.

Pledged bank deposits represented deposits pledged to banks to secure the banking facilities granted to the Group. At 31 December 2021, deposit amounting to HK$3,096,000 (2020: HK$3,096,000) was pledged to a bank to secure the credit facility for settlement of securities brokerage activities. The pledged bank deposits will be released upon termination of the credit facility for settlement of securities brokerage activities and are therefore classified as current assets.

26. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables of securities brokerage business:		
– Cash clients *(Note)*	**20,059**	27,142
– Margin clients *(Note)*	**581**	12,305
– HKSCC *(Note)*	**–**	924
Accrued charges and other payables	**4,715**	7,653
Interest payables	**1,184**	20,216
	26,539	68,240

Note: For securities brokerage business, the normal settlement terms of trade payables to cash and margin clients and HKSCC are two days after trade date.

27. BORROWINGS

	2021 HK$'000	2020 HK$'000
Short-term secured borrowings *(Note)*	**–**	355,000

An analysis of the Group's borrowings is as follows:

	2021 HK$'000	2020 HK$'000
Fixed-rate borrowing	**–**	350,000
Variable-rate borrowing	**–**	5,000
	–	355,000

27. BORROWINGS (continued)

Note: At 31 December 2020, borrowing of the amount of HK$350,000,000 carried interest at 7% per annum and was repayable within one year. The loan agreement of the borrowing contained a repayment on demand clause. The borrowing was secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company. The borrowing was fully settled during the current year.

At 31 December 2020, borrowing of the amount of HK$5,000,000 carried interest at Hong Kong Interbank Offered Rate plus certain basis points per annum and was repayable within one year. The loan agreement of the borrowing contained a repayment on demand clause and the borrowing was secured by certain debt securities. The borrowing was fully settled during the current year.

28. NOTES PAYABLE

The movement of the unsecured notes payable for the year is as follows:

	2021	2020
	HK$'000	*HK$'000*
At the beginning of the year	**1,648,877**	1,253,171
Redemption of notes *(Notes (i) and (ii))*	**(1,000,000)**	(1,250,000)
Issue of notes *(Note (ii))*	**–**	1,628,553
Effective interest charged *(Note 10)*	**93,447**	146,611
Interest paid	**(40,136)**	(129,458)
Gain on non-substantial modification *(Note (ii))*	**(24,278)**	–
Loss on early redemption *(Note (ii))*	**14,197**	–
At the end of the year	**692,107**	1,648,877
Analysed as:		
Current portion	**692,107**	1,170,725
Non-current portion	**–**	478,152
	692,107	1,648,877

28. NOTES PAYABLE (continued)

Notes:

(i) In December 2016, the Company issued 2-year unsecured notes (the "2016 Notes") with nominal value of HK$1,500,000,000 denominated in Hong Kong dollars. The interest for the 2016 Notes was 7.00% per annum and 8.00% per annum for the first and second year respectively, and the effective interest rate of the 2016 Notes was 8.57% per annum. In December 2018, the 2016 Notes of nominal value of HK$200,000,000 were redeemed. The Company executed a supplemental deed poll to extend the maturity date of the remaining 2016 Notes with nominal value of HK$1,300,000,000 for further two years to 16 December 2020. The interest for the 2016 Notes was 9.50% per annum and 10.00% per annum for the third and fourth year respectively, and the effective interest rate of the 2016 Notes was 9.74% per annum. The 2016 Notes carried an option for the Company to early redeem the notes, by giving not less than 15 days' nor more than 30 days' notice to the noteholders, on the third anniversary date and/or 16 June 2020, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. During the years ended 31 December 2020 and 2019, the 2016 Notes of nominal value of HK$50,000,000 and HK$250,000,000 were early redeemed respectively. In December 2020, the remaining 2016 Notes with nominal value of HK$1,000,000,000 were redeemed at maturity.

In August 2018, the Company issued a new tranche of 2-year unsecured notes (the "2018 Notes") with nominal value of HK$200,000,000 denominated in Hong Kong dollars. The interest for the 2018 Notes was 9.50% per annum and 10.00% per annum for the first and second year respectively, and the effective interest rate of the 2018 Notes was 9.74% per annum. The 2018 Notes carried an option for the Company to early redeem the notes, by giving early redemption notice to the noteholders, on the first anniversary date, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. In August 2020, the 2018 Notes with nominal value of HK$200,000,000 were redeemed at maturity.

28. NOTES PAYABLE (continued)

Notes: (continued)

(ii) During the year ended 31 December 2020, the Company issued a series of unsecured notes to a company controlled by a shareholder of the Company.

In July 2020, the Company issued 2-year unsecured notes with nominal value of HK$500,000,000 denominated in Hong Kong dollars (the "July 2020 Notes"). The interest for the notes was 5.50% per annum, and effective interest rate was determined as 8.56% per annum.

In August 2020, the Company issued 1-year unsecured notes with nominal value of HK$500,000,000 denominated in Hong Kong dollars (the "August 2020 Notes"). The interest for the notes was 3.00% per annum, and effective interest rate was determined as 6.98% per annum.

In September 2020, the Company issued 270-day unsecured notes with nominal value of HK$500,000,000 denominated in Hong Kong dollars (the "September 2020 Notes"). The interest for the notes was 2.00% per annum, and effective interest rate was determined as 6.56% per annum.

In October 2020, the Company issued 270-day unsecured notes with nominal value of HK$200,000,000 denominated in Hong Kong dollars (the "October 2020 Notes"). The interest for the notes was 2.00% per annum, and effective interest rate was determined as 7.48% per annum.

All four notes carrying options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. The early redemption options of the Company are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered that the fair values of the early redemption options were insignificant on their respective initial recognition dates and at the end of the reporting periods. The difference between the aggregate consideration received of HK$1,700,000,000 and the aggregate fair value of the four notes of approximately HK$1,628,553,000, amounting to HK$71,447,000, was recognised as shareholder's contribution in the shareholder's contribution reserve in the consolidated statement of changes in equity.

28. NOTES PAYABLE (continued)

Notes: (continued)

(ii) In June 2021, the Company executed a supplemental deed poll to extend the maturity date of the September 2020 Notes to 15 March 2022. The interest for the extended notes was 2% per annum, and effective interest rate was determined as 6.56% per annum. The extension of the September 2020 Notes was considered a non-substantial modification of financial liability and a modification gain amounting to HK$16,409,000 was recognised as shareholder's contribution in the shareholder's contribution reserve in the consolidated statement of changes in equity.

In July 2021, the Company executed a supplemental deed poll to extend the maturity date of the October 2020 Notes to 22 April 2022. The interest for the extended notes was 2% per annum, and effective interest rate was determined as 7.48% per annum. The extension of the October 2020 Notes was considered a non-substantial modification of financial liability and a modification gain amounting to HK$7,869,000 was recognised as shareholder's contribution in the shareholder's contribution reserve in the consolidated statement of changes in equity.

During the year ended 31 December 2021, the July 2020 Notes and the August 2020 Notes were early redeemed. Accordingly, a loss on early redemption of the notes amounting to HK$14,197,000 was recognised in the shareholder's contribution reserve in the consolidated statement of changes in equity.

29. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**9,371**	9,083
Within a period of more than one year but not exceeding two years	**7,892**	9,371
Within a period of more than two years but not exceeding five years	**–**	7,892
	17,263	26,346
Less: Amount due for settlement within one year shown under current liabilities	**(9,371)**	(9,083)
Amount due for settlement over one year shown under non-current liabilities	**7,892**	17,263

The weighted average incremental borrowing rates applied to lease liabilities ranged from 3.0% to 3.6% (2020: 3.0% to 3.6%).

30. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**29,856**	27,067
Deferred tax liabilities	**–**	(435,393)
	29,856	(408,326)

30. DEFERRED TAX ASSETS (LIABILITIES) (continued)

The movement of deferred tax assets (liabilities) for the year is as follows:

	Allowance for ECL *HK$'000*	Tax losses *HK$'000*	Temporary difference related to net unrealised gain/loss on financial assets at FVTPL and debt instruments at FVTOCI *HK$'000*	Total *HK$'000*
At 1 January 2020	8,148	129,084	(129,084)	8,148
Credited (charged) to profit or loss *(Note 11)*	21,648	49,582	(492,912)	(421,682)
Credited to other comprehensive income	3,114	–	2,094	5,208
At 31 December 2020	32,910	178,666	(619,902)	(408,326)
Credited (charged) to profit or loss *(Note 11)*	**2,789**	**(164,776)**	**615,651**	**453,664**
Charged to other comprehensive income	**(5,843)**	**–**	**(9,639)**	**(15,482)**
At 31 December 2021	**29,856**	**13,890**	**(13,890)**	**29,856**

At 31 December 2021, the Group had unused tax losses arising in Hong Kong of HK$871,638,000 (2020: HK$1,393,363,000), subject to agreement of the Hong Kong Inland Revenue Department, the unused tax losses are available indefinitely for offset against future profits of the companies in which the losses arose. The unused tax losses of HK$84,190,000 (2020: HK$1,082,826,000) were recognised as deferred tax assets and no deferred tax asset was recognised in respect of the remaining unused tax losses of HK$787,448,000 (2020: HK$310,537,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2021	2020	**2021**	2020
	'000	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid				
At the beginning of the year	**20,385,254**	16,987,714	**3,216,110**	3,012,877
Issue of shares *(Note)*	**–**	3,397,540	**–**	203,852
Transaction costs attributable to issue of shares	**–**	–	**–**	(619)
At the end of the year	**20,385,254**	20,385,254	**3,216,110**	3,216,110

Note: On 11 December 2020, the Company completed a placing of 3,397,540,000 new shares under the general mandate at a placing price of HK$0.06 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK$619,000, were approximately HK$203,233,000. Details of which were set out in the announcements of the Company dated 20 November 2020 and 11 December 2020.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	**869**	1,066
Right-of-use assets	**2,270**	2,369
Investments in subsidiaries	**–**	–
Amounts due from subsidiaries	**1,012,304**	1,051,585
Club debentures	**475**	475
Total non-current assets	**1,015,918**	1,055,495
Current assets		
Amounts due from subsidiaries	**4,471,318**	4,266,915
Other receivables	**1,245**	1,203
Bank balances and cash	**145,304**	91,718
Total current assets	**4,617,867**	4,359,836
Current liabilities		
Accrued charges and other payables	**3,854**	22,156
Amounts due to subsidiaries	**1,592,503**	371,883
Income tax payable	**4,730**	4,033
Notes payable	**692,107**	1,170,725
Total current liabilities	**2,293,194**	1,568,797
Net current assets	**2,324,673**	2,791,039
Total assets less current liabilities	**3,340,591**	3,846,534
Non-current liability		
Notes payable	**–**	478,152
Net assets	**3,340,591**	3,368,382
Capital and reserves		
Share capital *(Note 31)*	**3,216,110**	3,216,110
Reserves *(Note)*	**124,481**	152,272
Total equity	**3,340,591**	3,368,382

The Company's statement of financial position has been approved and authorised for issue by the Board on 28 March 2022 and is signed on its behalf by:

Dr. Or Ching Fai	**Sue Ka Lok**
Director	*Director*

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note: Movements in the Company's reserves

	Shareholder's contribution reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2020	–	66,159	66,159
Profit and total comprehensive income for the year	–	14,666	14,666
Shareholder's contribution	71,447	–	71,447
At 31 December 2020	71,447	80,825	152,272
Loss and total comprehensive expense for the year	**–**	**(37,872)**	**(37,872)**
Shareholder's contribution	**24,278**	**–**	**24,278**
Loss on early redemption	**(14,197)**	**–**	**(14,197)**
At 31 December 2021	**81,528**	**42,953**	**124,481**

33. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 29 June 2020 and the previous share option scheme of the Company adopted on 10 June 2011 (the "Old Share Option Scheme") was terminated on the same date. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the Company or any of the subsidiaries and associated companies of the Company. Eligible participants of the Share Option Scheme include any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries and associated companies of the Company (including executive and non-executive directors of the Company) and any business consultants, agents, financial or legal advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of the subsidiaries and associated companies of the Company. The offer of a grant of share options may be accepted until the 21st days inclusive of, and from, the date of grant, provided that no such offer shall be open for acceptance after the expiry of the period of ten years commencing on the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share option scheme (continued)

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a share (if any). The exercise period of the share options granted is determinable by the Board but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to the participant under any other share option scheme(s) of the Company in the 12-month period up to and including the proposed date of grant (including both exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and the participant's associates abstaining from voting.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or at the date of the approval of the refreshed Scheme Mandate Limit as the case maybe.

No share option has been granted under the Share Option Scheme and the Old Share Option Scheme since their adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 1,698,771,383 shares, representing 10% of the issued shares of the Company as at the date of adoption of the Share Option Scheme and approximately 8.3% of the issued shares of the Company as at the date of this annual report.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which include the borrowings as disclosed in Note 27, notes payable as disclosed in Note 28, lease liabilities as disclosed in Note 29 and equity attributable to owners of the Company, comprising issued share capital, shareholder's contribution reserve and accumulated losses.

The directors of the Company review the capital structure of the Group regularly. As part of the review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including borrowings and notes payable. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through corporate actions including payment of dividends, new share issues, raising or repayment of borrowings, and issuance or redemption of interest bearing notes.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

Statement of financial position

	2021	2020
	HK$'000	*HK$'000*
Financial assets		
Amortised cost	**2,990,348**	3,899,514
Debt instruments at FVTOCI	**63,960**	401,813
Financial assets at FVTPL	**26,632**	4,073,317
Financial liabilities		
Amortised cost	**713,931**	2,064,464

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, pledged bank deposits, bank balances and cash, debt instruments at FVTOCI, financial assets at FVTPL, trade and other payables, borrowings, notes payable and lease liabilities. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Interest rate risk management

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate risk exposure if the need arises.

The Group is exposed to fair value interest rate risk in relation to debt securities classified as debt instruments at FVTOCI, loan receivables, note receivable, borrowings, notes payable and lease liabilities as set out in Notes 21, 22, 23, 27, 28 and 29 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (set out in Notes 25 and 27 respectively). The Group does not have any significant exposure to the risk of changes in market interest rates in relation to bank balances.

The exposures of the Group to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from secured borrowings.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Interest rate risk management (continued)

Total interest income from financial assets that are measured at amortised cost and at FVTOCI is as follows:

	2021	2020
	HK$'000	*HK$'000*
Interest revenue		
Financial assets at amortised cost	**156,531**	181,276
Financial assets at FVTOCI	**37,484**	57,898
Other income		
Financial assets at amortised cost	**2,719**	18,180
	196,734	257,354

Interest expense on financial liabilities not measured at FVTPL is as follows:

	2021	2020
	HK$'000	*HK$'000*
Financial liabilities at amortised cost	**111,052**	158,298
Interest expense on lease liabilities	**661**	342
	111,713	158,640

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Interest rate risk management (continued)

Sensitivity analysis for interest rate risk

There is no exposure to interest rate risk as there is no variable-rate borrowing at the end of the reporting period, no sensitivity analysis is prepared accordingly.

(ii) Price risk management

The Group's price risk is mainly concentrated on equity instruments. At 31 December 2021, the Group has concentration of price risk in relation to financial assets at FVTPL, amounting to HK$23,537,000 (2020: HK$4,034,720,000), being the Group's equity investment in one company (2020: one company). This investment accounted for approximately 88% (2020: 99%) of the Group's financial assets at FVTPL at 31 December 2021. During the year ended 31 December 2021, the Group also invested in different categories of companies including conglomerate (2020: conglomerate and property). In addition, the Group also exposed to the price risk of listed debt investments issued by issuer(s) listed on the Hong Kong Stock Exchange which operate(s) in the property sector (2020: property sector). The management manages this exposure by closely monitoring the portfolio of these financial instruments. In addition, the Group will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 20% (2020: 20%) for the current year.

If the prices of the respective listed debt instruments and equity securities had been 20% (2020: 20%) higher/lower:

- loss after tax for the year ended 31 December 2021 would decrease/increase by HK$4,448,000 (2020: profit after tax would increase/decrease by HK$680,244,000) as a result of the changes in fair values of listed equity securities included in financial assets at FVTPL; and

- total comprehensive expense for the year ended 31 December 2021 would decrease/increase by HK$10,681,000 (2020: total comprehensive income would increase/decrease by HK$67,103,000) as a result of the changes in fair values of listed debt instruments at FVTOCI.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent price risk the Group facing as the exposure at the year end does not reflect the exposure during the year.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Foreign currency risk management

Most of the Group's transactions are denominated in the group entities' functional currency, which is either United States dollars or Hong Kong dollars.

The Group is mainly exposed to foreign currency risk in relation to United States dollars arising from foreign currency bank balances and cash and debt instruments at FVTOCI.

The aggregate carrying amount of the major foreign currency denominated monetary assets at the reporting date is as follows:

	Assets	
	2021	2020
	HK$'000	*HK$'000*
US$	**303,729**	737,420

Under the pegged exchange rate system, the financial impact on the exchange difference between Hong Kong dollars and United States dollars is insignificant as most of the United States dollars denominated monetary assets are held by the group entities having Hong Kong dollars as their functional currency, as such, no sensitivity analysis has been prepared.

The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis is prepared since the management considers the amount involved is not significant.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties defaulted on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are mainly attributed to the loan receivables of the money lending business which could be mitigated by the security over properties, equity securities and/or debt securities pledged to the Group. The Group's maximum exposure to credit risk without taking into account collateral held or other credit enhancement is represented by the carrying amount of the loan receivables. The Group also held significant amounts of debt instruments at FVTOCI which are also exposed to credit risk.

Except for a majority of the loan receivables of the money lending business and trade receivables from margin clients of the securities brokerage business, the Group does not hold any collateral or other credit enhancements to cover the credit risks associated with the financial assets. The carrying amounts of the financial assets best represent their maximum exposure to credit risk.

Loan receivables

At 31 December 2021, the carrying amount of the loan receivables, which were granted to both corporate entities and individuals, was HK$1,234,675,000 (2020: HK$1,448,295,000). The Group had concentration of credit risk as 44% (2020: 45%) of the total loan receivables at 31 December 2021 was due from three (2020: four) borrowers. Before granting these loans, the Group conducted internal credit assessment process to assess the potential borrower's credit quality. The Group seeks to maintain strict control over its outstanding loan receivables on an individual basis to minimise credit risk. The management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. The policy includes evaluation of collectability and ageing analysis of the loan receivables based on management's judgement on creditworthiness, collateral provided and past collection history of each individual and corporate borrower.

A majority of the loan receivables are secured with collaterals, whereas borrowers of unsecured loans comprise individuals with good reputation and loans granted are supported by the creditworthiness of the borrowers. In addition, the Group may require an unsecured loan be covered by a third party guarantee, depending on the borrower's credit status and credit risk perceived by the management.

Each borrower is assigned a risk grading under the Group's internal credit ratings system to calculate ECL, having taken into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the cash inflow that are expected from foreclosure of collaterals (if any) less the costs of selling the collaterals. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the date of initial recognition. The Group considers those non-credit-impaired loans and credit-impaired loans as performing loans and non-performing loans respectively.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Loan receivables (continued)

In determining the recoverability of loan receivables, the Group will consider the change in the credit quality of loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past due information or default in payments, and the fair value of the collaterals pledged to the Group.

The Group also takes into account forward-looking information that is reasonably and supportably available to the Group without undue cost or effort, including information such as GDP growth rate and unemployment rate.

At 31 December 2021, loan receivables with carrying amount of HK$1,223,824,000 (2020: HK$1,436,779,000) were secured by collaterals including properties, listed equity and debt securities. These collaterals are taken into account when determining the loss given default and the loss rate for the loan receivables. There has been no significant changes in the quality of collaterals held for the loan receivables during the year.

During the current year, loan receivables with a gross carrying amount of HK$790,747,000 (2020: HK$1,217,137,000) are determined to be credit-impaired because they are overdue for more than 90 days. Out of this amount, HK$790,747,000 (2020: HK$1,092,331,000) was secured by securities and properties with an aggregate fair value of approximately HK$580,523,000 (2020: HK$1,125,994,000), and accumulated ECL of HK$250,390,000 (2020: HK$234,466,000) has been provided after considering the adjustment to loss given default based on the expected realisation value of collaterals. At 31 December 2021, no loan receivables (2020: gross carrying amount of HK$124,806,000) being unsecured or not credit enhanced have been fully impaired. In addition, at 31 December 2021, there are loan receivables with a gross carrying amount of HK$569,260,000 (2020: HK$383,131,000) which are not credit-impaired and no loss allowance has been recognised because the fair value of the collaterals provided is higher than the gross carrying amount of the loan receivables. The Group closely monitors the credit quality of the loan receivables. Before extending the loans to borrowers, the Group's management reviews and assesses each borrower individually based on evaluation of collectability and ageing analysis on the loan account and on management's judgement, including assessment on the current creditworthiness and the past collection statistics of each borrower, and the realisation value of securities or collaterals from the borrower and the guarantor. The Group conducts regular collateral reviews and maintains regular communications with the borrower in order to keep updated with the credit risk profile of the borrower. In the event that a borrower defaulted, the Group will take possession of the collateral pledged through legal actions against the borrower or procure the borrower to voluntarily deliver the possession of the collateral to the Group . The credit review process enables the Group to regularly assess the potential loss as a result of the credit risk it is exposed to and to take appropriate corrective actions promptly.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI

At 31 December 2021, the Group's debt instrument at FVTOCI portfolio comprising debt instruments issued by an issuer listed on the Hong Kong Stock Exchange which operated in the property sector in the PRC. The Group had concentration of credit risk as 100% (2020: 95%) of the total debt instruments at FVTOCI at 31 December 2021 was due from one (2020: one) issuer.

The Group closely monitors the changes in the credit ratings of the issuer, and follows its market news for taking immediate actions if there is any indication of deterioration of the repayment ability of the issuer.

The Group determines whether the debt instruments held by the Group have suffered from significant increase in credit risk since initial recognition by comparing the credit rating and other qualitative benchmarks that affect the credit quality of the debt instruments at initial recognition and at the end of the reporting period. On the basis of prevailing market conditions in respect of property developers in the PRC, the credit rating of the debt instruments issued by the issuer was downgraded by the rating agencies and the credit risk of the debt instruments held by the Group has increased significantly since initial recognition, as such, lifetime ECL on the debt instruments has been assessed at 31 December 2021. As the issuer of the debt instruments has suffered from significant financial difficulty and has defaulted in payments for its other debt instruments and other liabilities, the debt instruments held by the Group are therefore considered as credit-impaired at 31 December 2021. Since these debt instruments are listed and external credit ratings are available, the Group maximises the use of these ratings in the determination of the probability of default, whenever applicable, and the ECL amount on the debt instruments. The Group estimates the probability of default and the loss given default of the debt instruments with reference to relevant default studies published by the credit rating agencies after taking into account forward-looking information available without undue cost or effort. The calculation of ECL amount also reflects the time value of money. In view of the above, the Group's management considers the ECL allowance on the debt instruments is adequate at 31 December 2021. The Group will closely monitor the market conditions of property market in the PRC and the price of the debt instruments, and will formulate appropriate exit strategy accordingly.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI (continued)

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments by taking into consideration the historical data from an international credit rating agency. The Company's management works closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model. In making the evaluation, the Group assesses ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments announced by the recognised rating agency, the macroeconomic factors affecting the issuer, and the probability of default and loss given default of the debt instruments. The Group also takes into account forward-looking information that is reasonably and supportably available to the Group without undue cost or effort.

During the year ended 31 December 2021, the ECL on debt instruments at FVTOCI amounting to HK$253,348,000 (2020: HK$18,873,000) was recognised in profit or loss.

Trade receivables

The Group has trade receivables arising from the securities brokerage business. It is the Group's policy that all margin clients are subject to credit assessment procedures. The trade receivables of margin clients are secured by marketable securities pledged with fair values higher than the amount of advances to the margin clients by certain pre-determined ratios. The advance to customers under margin financing are regularly reviewed by the management to determine the impairment allowances which involves an evaluation of collectability based on management's judgement, including assessment on the current creditworthiness of margin client, the past collection statistics of individual margin account and the collaterals held by the Group. The management first determines whether there is a significant increase in credit risk of the margin account since initial recognition based on a review of the credit quality of the margin client, the collateral to margin ratio, the margin shortfall (if any) and the quality of marketable securities pledged that are specific to the margin client. This information is also used to determine ECL. Since there is no significant increase in credit risk in trade receivables since initial recognition, the Group recognises 12m ECL for trade receivables of margin clients and the amount is insignificant.

The Group considers the credit risk for trade receivables from cash clients and securities clearing house is negligible and no loss allowance is therefore recognised. The normal settlement terms for these trade receivables are two days after trade date.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies, and the probability of default of the counterparty banks is insignificant, accordingly, no allowance for credit losses is provided as the amount of ECL is insignificant.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information including reasonable and supportive forward-looking information available to the Group without undue cost or effort. No allowance for credit losses is provided as the amount of ECL is insignificant.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables from contracts with customers	Financial assets other than trade receivables from contracts with customers
Low risk	The counterparty has a low risk of default and does not have any past-due amounts and history of default.	Lifetime ECL - not credit-impaired	12m ECL
Medium risk	Overdue within 30 days or more than 30 days with reasonable and supportable information that demonstrates otherwise. Debtor frequently settles after due dates.	Lifetime ECL - not credit-impaired	12m ECL
High risk	Overdue more than 30 days but within 90 days without any reasonable and supportable information that demonstrates otherwise. There have been significant increases in credit risk since initial recognition through information developed internally or externally.	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	Overdue more than 90 days.	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000
Debt instruments at FVTOCI						
Investments in listed bonds* *(Note (i))*	21	C	N/A	Lifetime ECL (credit-impaired)	**63,960**	–
		B2	N/A	12m ECL	**–**	380,571
		N/A	B2	12m ECL	**–**	21,242
Financial assets at amortised cost						
Loans receivables *(Note (ii))*	22	N/A	Low risk	12m ECL	**331,796**	440,959
		N/A	Medium risk	12m ECL	**–**	74,879
		N/A	High risk	Lifetime ECL (not credit-impaired)	**368,673**	88,574
		N/A	Loss	Lifetime ECL (credit-impaired)	**790,747**	1,217,137
Other receivables	23	N/A	Low risk	12m ECL	**15,260**	67,759
Trade receivables *(Note (iii))*	23	N/A	N/A	12m ECL	**210,624**	103,094
Pledged bank deposits *(Note (iv))*	25	AA- (2020: AA-)	N/A	12m ECL	**3,096**	3,096
Bank balances *(Note (iv))*	25	BBB	N/A	12m ECL	**19**	20
		A- to AA- (2020: A- to AA)	N/A	12m ECL	**1,526,674**	2,277,250

* The Group considers the gross principal amount and the related contractual interests of the debt instruments for the purpose of ECL assessment. At 31 December 2021, the gross amount of these debts instruments amounted to HK$386,100,000 (2020: HK$470,884,000).

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

(i) Debt instruments at FVTOCI are listed bonds with credit loss allowance measured on lifetime ECL basis (2020: 12m ECL basis) as the credit risk on the debt instruments has increased significantly (2020: not increased significantly) since initial recognition. The Group assessed the ECL for debt instruments at FVTOCI by reference to exposure at default, recovery rate and adjustments for forward-looking information.

For debt instruments with no public ratings, the Group has made reference to the implied effective interest rate and credit spread to arrive at the rating as B2.

(ii) As part of the Group's credit risk management, the Group applies internal credit rating for its borrowers. The ECL rates are estimated based on the credit rating, the past and current default records and the current past due exposure of the borrower.

(iii) For trade receivables from contracts with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on lifetime ECL basis. For all other trade receivables, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. Trade receivables from margin clients are secured by marketable securities pledged to the Group for the margin financing facilities granted. The underlying collateral of margin financing are listed equity securities and the Group monitors the underlying collateral on a timely basis. Trade receivables from cash client are due on two days after the trade date.

(iv) Credit ratings of banks are referenced to ratings granted by international rating agency.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at FVTOCI and loan receivables.

	Debt instruments at FVTOCI		Loan receivables			
	12m ECL	Lifetime ECL (credit-impaired)	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	16,541	–	719	912	152,458	170,630
Changes due to financial instruments recognised at 1 January 2020:						
– Impairment losses recognised	25,216	–	3,762	6,156	233,730	268,864
– Impairment losses reversed	(6,343)	–	(2,117)	–	(39,364)	(47,824)
– Transfer to lifetime ECL	–	–	(10)	–	10	–
– Unwinding of discount	–	–	2,009	1,795	12,438	16,242
New financial assets originated or purchased	–	–	756	–	–	756
At 31 December 2020 and 1 January 2021	35,414	–	5,119	8,863	359,272	408,668
Changes due to financial instruments recognised at 1 January 2021:						
– Impairment losses recognised	**–**	**264,280**	**–**	**–**	**103,089**	**367,369**
– Impairment losses reversed	**(10,932)**	**–**	**(1,173)**	**(303)**	**(81,266)**	**(93,674)**
– Transfer to lifetime ECL	**(24,482)**	**24,482**	**(549)**	**(6,539)**	**7,088**	**–**
– Transfer to lifetime ECL (not credit-impaired)	**–**	**–**	**–**	**733**	**(733)**	**–**
– Unwinding of discount	**–**	**–**	**–**	**–**	**26,660**	**26,660**
– Write offs	**–**	**–**	**–**	**–**	**(163,720)**	**(163,720)**
At 31 December 2021	**–**	**288,762**	**3,397**	**2,754**	**250,390**	**545,303**

During the current year, the changes in loss allowance mainly comprise:

(i) debt instruments at FVTOCI with gross carrying amount totalling HK$63,960,000 (2020: nil) that have become credit-impaired for which lifetime ECL has been provided, resulted in recognition of ECL of HK$264,280,000 (2020: nil). In addition, ECL of HK$24,482,000 has been transferred from 12m ECL to lifetime ECL accordingly.

(ii) debt instruments at FVTOCI with gross carrying amount totalling HK$128,498,000 (2020: HK$523,645,000) that are disposed of during the current year, resulted in reversal of ECL of HK$10,932,000 (2020: HK$6,343,000).

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(iii) no 12m ECL has been provided for loan receivables that are newly originated (2020: newly originated loan receivables with gross carrying amount totalling HK$20,000,000 for which 12m ECL has been provided, resulted in recognition of ECL of HK$756,000).

(iv) loan receivables with gross carrying amount totalling HK$157,996,000 (2020: HK$181,726,000) that have become credit-impaired for which lifetime ECL has been provided, resulted in recognition of ECL of HK$54,520,000 (2020: HK$59,629,000).

(v) loan receivables with gross carrying amount totalling HK$632,751,000 (2020: HK$1,035,411,000) that continued to be credit-impaired for which lifetime ECL has been provided, resulted in recognition of ECL of HK$48,569,000 (2020: HK$174,101,000).

(vi) loan receivables with gross carrying amount totalling HK$134,182,000 (2020: HK$709,428,000) that were settled during the year, resulted in reversal of ECL of HK$82,742,000 (2020: HK$41,481,000).

(vii) loan receivables with gross carrying amount totalling HK$163,720,000 (2020: nil) which are fully-impaired have been written off.

The changes in loss allowance mainly reflected the credit-impaired status of debt instruments at FVTOCI and loan receivables during the current year. There are no significant changes to estimation techniques and assumptions made during the year.

Liquidity risk

For the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables show details of the non-derivative financial liabilities of the Group. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities, and on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate in effect at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2021								
Non-derivative financial liabilities								
Trade and other payables	–	21,824	–	–	–	–	21,824	21,824
Notes payable	6.8	986	502,466	200,986	–	–	704,438	692,107
		22,810	502,466	200,986	–	–	726,262	713,931
Lease liabilities	3.1	812	1,624	7,308	7,997	–	17,741	17,263
		23,622	504,090	208,294	7,997	–	744,003	731,194
At 31 December 2020								
Non-derivative financial liabilities								
Trade and other payables	–	60,587	–	–	–	–	60,587	60,587
Borrowings	6.9	357,085	–	–	–	–	357,085	355,000
Notes payable	7.4	14,849	9,945	1,225,596	527,500	–	1,777,890	1,648,877
		432,521	9,945	1,225,596	527,500	–	2,195,562	2,064,464
Lease liabilities	3.1	812	1,624	7,308	9,744	7,997	27,485	26,346
		433,333	11,569	1,232,904	537,244	7,997	2,223,047	2,090,810

The cash flow of variable interest rate instruments is based on the rate outstanding at the end of the reporting period.

The amounts included above for variable interest rate instruments of non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those interest rates in effect determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The Board has delegated the valuation work to the management to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or liability, the Group uses market-observable data to the extent that they are available. Where market-observable data are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports to the Board regularly to explain the cause of fluctuations in the fair value of the financial assets.

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2021 **HK$'000**	31 December 2020 *HK$'000*		
1) Financial assets at FVTPL				
Listed equity securities	**26,332**	4,073,317	Level 1	Quoted market closing prices in an active market
Unlisted equity securities	**300**	–	Level 3	The fair value was determined with reference to the net asset value of the unlisted equity, which mainly comprises bank balances *(Note)*.
2) Debt instruments at FVTOCI				
Listed debt securities	**63,960**	401,813	Level 1	Quoted market closing prices in active markets

Note: In the opinion of the directors of the Company, the fluctuations in the key unobservable inputs in determining the fair value of the unlisted equity securities are not significant to the Group, accordingly, no sensitivity analysis is presented.

35. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Fair value hierarchy

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 31 December 2021				
Financial assets at FVTPL				
Listed equity securities	**26,332**	**–**	**–**	**26,332**
Unlisted equity securities	**–**	**–**	**300**	**300**
Debt instruments at FVTOCI				
Listed debt securities	**63,960**	**–**	**–**	**63,960**
At 31 December 2020				
Financial assets at FVTPL				
Listed equity securities	4,073,317	–	–	4,073,317
Debt instruments at FVTOCI				
Listed debt securities	401,813	–	–	401,813

There was no transfer between Level 1, 2 and 3 for the years ended 31 December 2021 and 31 December 2020.

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

36. PLEDGE OF ASSETS

At 31 December 2020, the fixed-rate borrowing was secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company. As disclosed in Notes 17, 20, 21, 23, 24, 25 and 27, assets subject to the first floating charge were property, plant and equipment of HK$17,042,000, club debentures of HK$1,453,000, debt securities of HK$380,571,000, trade and other receivables of HK$66,670,000, equity securities of HK$4,073,317,000 and bank balances and cash of HK$109,252,000 respectively. During the year ended 31 December 2021, the fixed-rate borrowing was fully settled and all the share charges and debentures were released and discharged.

36. PLEDGE OF ASSETS (continued)

At 31 December 2020, as disclosed in Notes 21 and 27, debt securities of HK$21,242,000 were pledged for variable-rate borrowing. During the year ended 31 December 2021, the variable-rate borrowing was fully settled and the pledged securities were released and discharged.

At 31 December 2021, as disclosed in Note 25, the credit facility for settlement of the Group's securities brokerage activities was secured by the Group's bank deposits of HK$3,096,000 (2020: HK$3,096,000).

37. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors of the Company who are also identified as members of key management during both years were as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Short-term benefits	**8,993**	7,408
Post-employment benefits	**181**	183
	9,174	7,591

The remuneration of directors and key executives of the Company are determined by the Remuneration Committee having regard to the competence, performance and experience of the individuals and prevailing market terms.

38. RETIREMENT BENEFIT SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contributions are matched by employees.

The total costs charged to the statement of profit or loss and other comprehensive income of HK$1,026,000 (2020: HK$1,030,000) represent contributions payable to the MPF scheme by the Group.

The Group's contributions to the MPF Scheme vest fully and immediately with the employees, thus there are no forfeited contributions available for the Group to reduce the existing level of the contribution to the MPF Scheme.

39. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company 31 December 2021 Direct %	31 December 2021 Indirect %	31 December 2020 Direct %	31 December 2020 Indirect %	Principal activities
Best Earning Limited	Seychelles	Ordinary	US$1	–	100	–	100	Investment holding
Best Gain Development Limited	Hong Kong ("HK")	Ordinary	HK$1	–	100	–	100	Provision of management service
Chap Yik Limited	HK	Ordinary	HK$30,000	–	100	–	100	Money lending
China Strategic Management Limited	HK	Ordinary	HK$1	–	100	–	100	Provision of management service
China Strategic Metal and Minerals Limited	HK	Ordinary	HK$1	–	100	–	100	Trading of metal minerals and coke products
CS Credit Limited	HK	Ordinary	HK$1	–	100	–	100	Money lending
CS Wealth Securities Limited	HK	Ordinary	HK$240,000,000	–	100	–	100	Securities brokerage
Guide Plus Investments Limited	HK	Ordinary	HK$1	–	100	–	100	Investment in securities
Max Talent Investments Limited	HK	Ordinary	HK$1	–	100	–	100	Sales of electronic components
U Credit (HK) Limited	HK	Ordinary	HK$1	–	100	–	100	Money lending

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the Group's results for the year or formed a substantial portion of the Group's assets and liabilities. To give details of other subsidiaries would results in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

39. PRINCIPAL SUBSIDIARIES (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities and principal place of business of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2021	2020
Investment holding	British Virgin Islands ("BVI")	**11**	11
Investment in securities	HK	**1**	1
Inactive	BVI	**1**	1
Inactive	HK	**7**	6
		20	19

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings *HK$'000*	Notes payable *HK$'000*	Interest payables *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 January 2020	464,698	1,253,171	12,646	8,106	1,738,621
Financing cash flows	(109,698)	320,542	(4,117)	(9,638)	197,089
Fair value adjustments	–	(71,447)	–	–	(71,447)
New lease entered	–	–	–	5,624	5,624
Lease modified	–	–	–	21,912	21,912
Interest expenses	–	146,611	11,687	342	158,640
At 31 December 2020	355,000	1,648,877	20,216	26,346	2,050,439
Financing cash flows	**(355,000)**	**(1,040,136)**	**(36,637)**	**(9,744)**	**(1,441,517)**
Gain on non-substantial modification	**–**	**(24,278)**	**–**	**–**	**(24,278)**
Loss on early redemption	**–**	**14,197**	**–**	**–**	**14,197**
Interest expenses	**–**	**93,447**	**17,605**	**661**	**111,713**
At 31 December 2021	**–**	**692,107**	**1,184**	**17,263**	**710,554**

Five-Year Financial Summary

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**423,994**	256,347	779,962	1,477,776	1,337,246
(Loss) profit before tax	**(4,030,676)**	2,712,959	(415,878)	805,708	178,185
Income tax credit (expense)	**447,379**	(429,772)	92,931	(96,918)	(51,992)
(Loss) profit attributable to owners of the Company	**(3,583,297)**	2,283,187	(322,947)	708,790	126,193

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**3,159,962**	8,481,698	5,195,291	6,062,383	5,240,895
Total liabilities	**(745,882)**	(2,542,650)	(1,825,502)	(2,416,401)	(2,168,738)
Equity attributable to owners of the Company	**2,414,080**	5,939,048	3,369,789	3,645,982	3,072,157