

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Shandong Hi-Speed Financial Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020 (the “**Previous Period**”), as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	5	1,065,661	1,272,354
COST OF SERVICES		(327,030)	(464,173)
Gross profit		738,631	808,181
Other income	6	25,055	46,163
Other gains and losses, net	7	246,636	136,340
Impairment losses on financial assets recognised, net of reversal	8	(388,555)	(1,189,669)
Fair value gains on financial assets at fair value through profit or loss, net	10	12,643	802,375
Administrative expenses		(377,230)	(425,394)
Finance costs	9	(269,611)	(246,105)
Share of results of associates		11,286	64,844

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS BEFORE TAX	<i>10</i>	(1,145)	(3,265)
Income tax credit/(expense)	<i>11</i>	12,203	(15,042)
PROFIT/(LOSS) FOR THE YEAR		11,058	(18,307)
Profit/(loss) for the year attributable to:			
Owners of the Company		(314,660)	(284,700)
Holders of perpetual capital instrument		345,070	259,048
Non-controlling interests		(19,352)	7,345
		11,058	(18,307)
LOSS PER SHARE			
Basic and diluted	<i>13</i>	HK(1.31) cents	HK(1.17) cents

	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) for the year	11,058	(18,307)
Other comprehensive income/(loss)		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	(652,570)	(242,866)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	(117,371)	(70,056)
Release of FVTOCI reserve upon disposal of debt instruments at fair value through other comprehensive income	24,326	7,178
Exchange difference arising on translation of foreign operations	73,679	218,570
Reclassification adjustment for foreign operations disposed of during the year	(2,571)	–
Other comprehensive loss for the year	(674,507)	(87,174)
Total comprehensive loss for the year	(663,449)	(105,481)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	(985,126)	(377,134)
Holder of perpetual capital instrument	345,070	259,048
Non-controlling interests	(23,393)	12,605
	(663,449)	(105,481)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		60,584	12,677
Investment property		890,000	–
Right-of-use assets		43,634	39,699
Intangible assets		1,132,480	1,273,595
Interests in associates		2,176,644	2,128,901
Financial assets at fair value through other comprehensive income	<i>14</i>	2,356,830	2,281,229
Financial assets at fair value through profit or loss	<i>15</i>	43,195	55,922
Finance lease receivables	<i>16</i>	366,996	547,554
Loans receivables	<i>17</i>	733,863	132,373
Deferred tax assets		14,977	–
Total non-current assets		7,819,203	6,471,950
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	<i>14</i>	3,081,963	2,603,310
Financial assets at fair value through profit or loss	<i>15</i>	6,188,427	5,858,263
Finance lease receivables	<i>16</i>	501,751	759,072
Loans receivables	<i>17</i>	2,957,870	3,203,909
Trade and other receivables	<i>18</i>	1,048,184	933,805
Restricted cash		3,638	88,358
Cash held on behalf of clients		15,115	1,779
Cash and cash equivalents		1,334,300	5,045,748
Total current assets		15,131,248	18,494,244
CURRENT LIABILITIES			
Other payables and accruals	<i>19</i>	199,041	302,023
Lease liabilities		15,676	13,270
Borrowings	<i>20</i>	10,383,810	7,442,624
Tax payables		1,738	677
Total current liabilities		10,600,265	7,758,594

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NET CURRENT ASSETS		<u>4,530,983</u>	<u>10,735,650</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,350,186</u>	<u>17,207,600</u>
NON-CURRENT LIABILITIES			
Borrowings	20	3,563,413	7,386,690
Lease liabilities		31,207	30,502
Other payables and accruals	19	22,652	21,910
Deferred tax liabilities		<u>120,411</u>	<u>111,750</u>
Total non-current liabilities		<u>3,737,683</u>	<u>7,550,852</u>
Net assets		<u>8,612,503</u>	<u>9,656,748</u>
CAPITAL AND RESERVES			
Issued capital		6,022	6,022
Reserves		<u>1,402,629</u>	<u>2,387,755</u>
Equity attributable to owners of the Company		1,408,651	2,393,777
Perpetual capital instrument		7,118,083	7,073,413
Non-controlling interests		<u>85,769</u>	<u>189,558</u>
Total equity		<u>8,612,503</u>	<u>9,656,748</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 17/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, respectively.

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the “Group”) principally engaged in various kinds of financial services, including standard investment business, non-standard investment business, industrial investment and the provision of licensed financial services.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-related rent concessions beyond 30 June 2021*. The application of the new and 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.

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:

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

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The consolidated financial statements have been prepared under the historical cost basis, except for the investment property and certain financial instruments which are measured at fair values at the end of each reporting period.

4. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group’s CODM. For the year ended 31 December 2020, the Group had four reportable operating segments.

During the year ended 31 December 2021, CODM revisited the reporting operating segments and considered the presentation of new reportable segments better reflects the Group’s allocation of resources and assessment of performance. Investments in securities segment has been divided into standard investment segment and nonstandard investment segment. Money lending segment has been renamed to license business segment. The business related to the asset trading platform previously reported in financial technology segment and the business related to the securities brokerage services previously reported in investments in securities segment have been transferred to license business segment. Comparative figures are re-presented to conform with changes in presentation in the current period.

Details are as follows:

- (i) Standard investment segment engages primarily in investments in listed securities and listed bonds primarily for interest income, dividend income and capital appreciation;
- (ii) Nonstandard investment segment engages in direct investment business including investments in debt instruments, unlisted bonds, notes, unlisted equity investments and investment funds;
- (iii) License business segment engages primarily in provision of money lending services, securities brokerage services, asset management services, advisory services and asset trading platform;
- (iv) Financial leasing segment engages primarily in the direct financial leasing and advisory services; and
- (v) Financial technology segment engages primarily in online investment and technology-enabled lending services and online new media services.

During the year ended 31 December 2020, the Group acquired entire interest in Top Wish Holdings Limited, which became a subsidiary of the Group. Top Wish Holdings Limited and its subsidiaries were principally engaged in securities brokerage business with its result was grouped in license business segment.

In addition to the above reportable segments, other segments that do not meet the quantitative thresholds for the reporting segments in both current and prior years were grouped in “Unallocated”.

CODM monitors the results of the Group’s operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group’s performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that unallocated income, unallocated finance costs, unallocated expenses and share of results of associates are excluded from such measurement.

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

- all assets are allocated to reportable segments except corporate assets; and
- all liabilities are allocated to reportable segments except corporate liabilities, deferred tax liabilities, certain borrowings and certain other payables and accruals.

	Standard investment		Nonstandard investment		License business		Financial leasing		Financial technology		Unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	296,010	370,031	491,809	406,674	83,336	260,914	161,444	122,907	18,671	111,828	14,391	-	1,065,661	1,272,354
Segment results	(146,817)	923,854	253,632	495,216	17,101	(84,144)	(323,210)	(985,773)	(5,075)	(224,132)	-	-	(204,369)	125,021
Unallocated income*													316,910	194,534
Unallocated finance costs													(617)	(25,484)
Unallocated expenses**													(124,355)	(362,180)
Share of results of associates													11,286	64,844
Loss before tax													(1,145)	(3,265)

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in current and prior years.

	Standard investment		Nonstandard investment		License business		Financial leasing		Financial technology		Unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	(8,741)	(23,301)	(310)	-	(2,506)	(1,536)	(3,710)	(5,026)	(92)	(484)	(4)	-	(15,363)	(30,347)
Finance costs	144,796	59,017	122,050	-	3	91,472	2,054	69,890	91	242	617	25,484	269,611	246,105
Amortisation	-	-	-	-	344	166	166	161	1,299	8,179	289	289	2,098	8,795
Depreciation for														
- property, plant and equipment	-	-	-	-	404	529	2,731	820	451	671	2,679	2,105	6,265	4,125
- right-of-use assets	-	-	-	-	1,133	-	3,642	4,061	735	1,410	8,810	8,880	14,320	14,351
Fair value (gain)/loss on financial assets at FVTPL, net	116,218	(642,084)	(126,451)	(70,622)	-	-	(2,410)	(89,669)	-	-	-	-	(12,643)	(802,375)
Impairment losses recognised in respect of														
- goodwill	-	-	-	-	-	-	-	23,507	-	50,985	-	-	-	74,492
- intangible assets	-	-	-	-	30,244	-	-	-	-	22,625	-	-	30,244	22,625
- finance lease receivables	-	-	-	-	-	-	3,009	987,074	-	-	-	-	3,009	987,074
- loans receivables	-	-	94,719	(8,987)	(7,384)	(3,463)	269,540	13,439	-	130,056	-	-	356,875	131,045
- trade and other receivables	(224)	50,112	11,158	176	(1,641)	3,521	19,343	(1,758)	-	18,791	35	708	28,671	71,550
Capital expenditure***	-	-	-	-	2,242	49,486	53,916	51	55	23,049	890,196	4,656	946,409	77,242

* Unallocated income mainly included gain on disposal of a subsidiary of approximately HK\$171,135,000 (2020: HK\$nil), gain on bargain purchase from acquisition of a subsidiary of approximately HK\$131,380,000 (2020: HK\$nil), compensation income of approximately HK\$nil (2020: HK\$188,794,000), gain on remeasurement of pre-existing interest in an associate of approximately HK\$nil (2020: HK\$6,148,000) and gain on disposal of an associate of approximately HK\$nil (2020: HK\$300,000).

** Unallocated expenses mainly included employee benefit expenses of approximately HK\$91,103,000 (2020: HK\$79,916,000), exchange loss of approximately HK\$3,729,000 (2020: HK\$24,772,000), legal and professional fee of approximately HK\$13,867,000 (2020: HK\$12,092,000) and depreciation of approximately HK\$11,489,000 (2020: HK\$11,210,000) and guarantee fee paid of approximately HK\$nil (2020: HK\$143,414,000).

*** Capital expenditure consists of additions to property, plant and equipment, investment property, intangible assets and those assets acquired from acquisition of subsidiaries.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets:		
Standard investment	7,882,794	9,894,558
Nonstandard investment	7,712,935	7,732,627
License business	1,014,205	957,466
Financial leasing	3,285,635	3,545,054
Financial technology	–	577,000
	19,895,569	22,706,705
Unallocated assets	3,054,882	2,259,489
	22,950,451	24,966,194
Segment liabilities:		
Standard investment	6,055,762	5,304,710
Nonstandard investment	5,719,418	7,121,943
License business	113,864	194,919
Financial leasing	2,348,177	2,325,837
Financial technology	–	287,112
	14,237,221	15,234,521
Unallocated liabilities	100,727	74,925
	14,337,948	15,309,446

Geographical information

The Group's operations are mainly located in Hong Kong, the PRC and Singapore. The geographical information about the Group's revenue based on the locations of the operations is set out below:

	Revenue from external customers	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	849,904	845,517
The PRC	189,046	421,051
Singapore	26,711	5,786
	1,065,661	1,272,354

No customer of the Group has contributed over 10% of the total revenue of the Group for the current and prior years.

The following table sets out information about the geographical location of the Group's investment property, property, plant and equipment, right-of-use assets, intangible assets and interests in associates ("Specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, right-of-use assets and investment property, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates.

	Specified non-current assets	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	911,706	81,194
The PRC	3,391,589	3,373,666
Singapore	47	12
	<u>4,303,342</u>	<u>3,454,872</u>

5. REVENUE

Disaggregation of revenue from contracts with customers

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of service		
Consultancy services income	63,427	146,132
Handling fee income	35,415	213,429
Income from asset management and performance	6,375	2,275
Online new media services income	6,301	26,087
Income from brokerage business	35,798	10,378
	<u>147,316</u>	<u>398,301</u>
Timing of revenue recognition		
Recognised at a point in time	65,673	316,326
Recognised over time	81,643	81,975
	<u>147,316</u>	<u>398,301</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	147,316	398,301
Finance lease income	55,914	91,094
Interest income from lending business	286,096	281,860
Interest income from financial assets at FVTPL	186,133	118,627
Interest income from financial assets at FVTOCI	290,576	277,445
Dividend and distribution income from financial assets at FVTPL	99,626	105,027
	<u>1,065,661</u>	<u>1,272,354</u>

6. OTHER INCOME

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	15,363	30,347
Government subsidy	–	2,018
Sundry income	9,692	13,798
	<u>25,055</u>	<u>46,163</u>

7. OTHER GAINS AND LOSSES, NET

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses recognised in respect of		
– goodwill	–	(74,492)
– license	(30,244)	–
– computer software	–	(22,625)
Compensation income	–	188,794
Foreign exchange (loss)/gain, net	(1,309)	45,393
Gain on remeasurement of pre-existing interest in an associate	–	6,148
Gain on disposal of an associate	–	300
Gain on disposal of subsidiaries	171,135	–
Gain on bargain purchase from acquisition of a subsidiary	131,380	–
Losses on disposal of debt instruments at FVTOCI	(24,326)	(7,178)
	<u>246,636</u>	<u>136,340</u>

8. IMPAIRMENT LOSSES ON FINANCIAL ASSETS RECOGNISED, NET OF REVERSAL

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses on financial assets recognised, net of reversal, in respect of:		
Finance lease receivables	(3,009)	(987,074)
Loans receivables	(356,875)	(131,045)
Trade and other receivables	(28,671)	(71,550)
	<u>(388,555)</u>	<u>(1,189,669)</u>

9 FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	82,658	55,794
Interest on other borrowings	44,754	5,657
Interest on bonds	350,100	339,566
Interest on lease liabilities	2,105	2,166
	<u>479,617</u>	<u>403,183</u>
Less: Finance costs included in cost of services	(210,006)	(157,078)
	<u>269,611</u>	<u>246,105</u>

10. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration:		
– Audit services	2,700	2,450
– Non-audit services	478	150
	<u>3,178</u>	<u>2,600</u>
Employee benefit expenses:		
<i>Directors' remuneration:</i>		
– Fees	1,450	1,948
– Salaries, allowances and benefits in kind	27,611	15,339
– Retirement benefit scheme contributions (defined contribution scheme)*	83	92
	<u>29,144</u>	<u>17,379</u>
Sub-total	<u>29,144</u>	<u>17,379</u>
<i>Other staff's costs:</i>		
– Salaries, allowances and benefits in kind	158,646	159,458
– Retirement benefit scheme contributions (defined contribution scheme)*	8,350	10,181
	<u>166,996</u>	<u>169,639</u>
Sub-total	<u>166,996</u>	<u>169,639</u>
Total employee benefit expenses	<u>196,140</u>	<u>187,018</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales proceeds from disposal of securities, bonds and funds	(11,309,953)	(13,143,745)
Carrying amount of securities, bonds and funds	<u>11,229,852</u>	<u>12,618,301</u>
Realised gains from financial assets at FVTPL, net	(80,101)	(525,444)
Unrealised loss/(gain) from financial assets at FVTPL, net	<u>67,458</u>	<u>(276,931)</u>
Fair value gains on financial assets at FVTPL, net	<u>(12,643)</u>	<u>(802,375)</u>
Amortisation of intangible assets	2,098	8,795
Depreciation of property, plant and equipment	6,265	4,125
Depreciation of right-of-use assets	14,320	14,351
Expenses relating to short term leases	<u>4,691</u>	<u>17,511</u>

* As at 31 December 2021, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2020: nil).

11. INCOME TAX CREDIT/(EXPENSE)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	2,739	14,910
– Singapore Corporate Income Tax	–	132
	<u>2,739</u>	<u>15,042</u>
Deferred tax credit, net	<u>(14,942)</u>	–
Income tax (credit)/expense	<u>(12,203)</u>	<u>15,042</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2021 and 2020.

No provision for taxation in Hong Kong has been made as the Group has no assessable profits for the purpose of calculating Hong Kong Profits Tax for the years ended 31 December 2021 and 2020.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2020: 25%).

No provision for taxation in Singapore has been made as the Group has no assessable profits for the purpose of calculating Singapore Corporate Income Tax for the year ended 31 December 2021 (2020: The Singapore Corporate Income Tax for the Singapore subsidiaries are calculated at the Singapore Corporate Income Tax rate of 17%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. DIVIDEND

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.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(314,600)</u>	<u>(284,700)</u>
<i>Number of shares</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>24,089,384</u>	<u>24,302,661</u>

Diluted loss per share did not assume the exercise of share options since their assumed exercise had an anti-dilutive effect on loss per share for the years ended 31 December 2021 and 2020.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets		
Unlisted equity investments		
– in elsewhere (<i>Notes (i) and (ii)</i>)	211,000	262,961
Listed equity investments		
– in Hong Kong (<i>Notes (ii) and (iii)</i>)	269,082	140,321
Listed bonds		
– in Hong Kong	243,358	194,619
– in the PRC	53,422	151,684
– in elsewhere	689,769	1,126,447
Unlisted bonds		
– in elsewhere	662,421	229,267
Investment funds		
– in the PRC	195,906	–
– in elsewhere (<i>Note (ii)</i>)	31,872	175,930
	<u>2,356,830</u>	<u>2,281,229</u>
Current assets		
Notes		
– in elsewhere	627,393	237,476
Listed bonds		
– in Hong Kong	109,830	68,496
– in elsewhere	783,436	1,009,041
Unlisted bonds		
– in elsewhere	1,561,304	1,288,297
	<u>3,081,963</u>	<u>2,603,310</u>

Notes:

- (i) On 1 April 2020, an investment of approximately HK\$2,049,848,000 was reclassified from financial assets at FVTOCI to interests in associates. The reclassification results in release of FVTOCI reserve of approximately HK\$514,271,000.
- (ii) On 1 January 2020, the directors of the Company re-considered that certain investments are not held for trading and not expected to be sold in the foreseeable future. Accordingly, an unlisted equity investment of approximately HK\$289,407,000, listed equity investments of approximately HK\$359,957,000 and an investment fund of approximately HK\$508,684,000 were reclassified from financial assets at FVTPL to financial assets at FVTOCI.
- (iii) The Group designated certain listed equity instruments that are measured at FVTOCI, as the Group intended to hold the equity instruments for a long term.
- (iv) As at 31 December 2021 and 2020, no individual investment in financial assets at FVTOCI and its fair value is over 5% of the total assets of the Group.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets		
Listed equity investments		
– In Hong Kong (<i>Note (ii)</i>)	43,195	50,422
Club membership debenture		
– In Hong Kong	–	5,500
	43,195	55,922
Current assets		
Held-for-trading listed equity investments		
– In Hong Kong	2,147,373	2,132,356
– In the PRC	812,899	87,769
– In elsewhere	142,457	68,765
	3,102,729	2,288,890
Held-for-trading investment funds		
– In Hong Kong	460,500	633,688
– In the PRC	160,086	5,860
– In elsewhere	–	–
	620,586	639,548
Other investment funds		
– In elsewhere	484,763	1,754,798
Held-for-trading bonds		
– In Hong Kong	–	653,338
– In elsewhere	259,013	–
	259,013	653,338
Unlisted equity investments		
– In the PRC	803,444	521,689
Notes		
– In Hong Kong	156,107	–
– In elsewhere	761,785	–
	917,892	–
	6,188,427	5,858,263

Notes:

- (i) As at 31 December 2021 and 2020, no individual investment in financial assets at FVTPL and its fair value is over 5% of the total assets of the Group.
- (ii) On 1 January 2020, an unlisted equity investment of approximately HK\$289,407,000 was reclassified to financial assets at FVTOCI.

16. FINANCE LEASE RECEIVABLES

The carrying amounts of finance lease receivables are set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	501,751	759,072
Later than one year and not later than second year	302,104	334,212
Later than second year and not later than fifth year	64,892	213,342
	<hr/>	<hr/>
Carrying amount of finance lease receivables	868,747	1,306,626
	<hr/>	<hr/>
Analysed for reporting purpose as:		
Non-current assets	366,996	547,554
Current assets	501,751	759,072
	<hr/>	<hr/>
	868,747	1,306,626
	<hr/>	<hr/>

17. LOANS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans receivables	4,089,503	3,553,263
Less: allowance for credit losses	(397,770)	(216,981)
	<hr/>	<hr/>
	3,691,733	3,336,282
	<hr/>	<hr/>
Analysed for reporting purpose as:		
Non-current assets	733,863	132,373
Current assets	2,957,870	3,203,909
	<hr/>	<hr/>
	3,691,733	3,336,282
	<hr/>	<hr/>

An aging analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
To be due within:		
Within 90 days	1,547,463	723,914
91 days to 180 days	621,643	640,190
181 days to 1 year	788,764	1,839,805
1 year to 2 years	733,863	132,373
	3,691,733	3,336,282

18. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables arising from the ordinary course of business of:		
– Dealing in securities	228,392	403,302
– Asset management	–	53,092
– Operation of an asset trading platform	–	4,829
– Others	1,148	6,136
	229,540	467,359
Less: allowance for credit losses	(2,066)	(9,266)
	227,474	458,093
Prepayments	91,564	48,155
Deposits	4,805	29,966
Interest receivables	238,286	145,634
Other receivables	486,055	251,957
	820,710	475,712
	1,048,184	933,805

The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date (or date of revenue recognition, if earlier):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	227,474	438,926
91 days to 180 days	–	–
181 days to 1 year	–	10,186
Over 1 year	–	8,981
	227,474	458,093

The Group has a policy of granting trade customers, except for trade receivable attributable to the dealing in securities transactions with credit of generally within 90 (2020: 90) days.

The settlement terms of trade receivables attributable to the dealing in securities transactions are two days after the trade date, except for the balances with margin clients which are repayable on demand.

19. OTHERS PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued expenses	16,148	30,409
Guarantee deposits received from finance lease lessees	22,652	29,953
Contract liabilities	–	136,258
Amount due to an associate	–	1,658
Amounts due to non-controlling interests	–	59
Deposits received from customers in trading platform business	–	619
Payable arising from dealing in securities	3,387	692
Other payables		
– Interest payables	19,021	7,810
– Others	160,485	116,475
	221,693	323,933
Analysed for reporting purpose as:		
Non-current liabilities	22,652	21,910
Current liabilities	199,041	302,023
	221,693	323,933

20. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank borrowings		
– Repayable within one year	3,172,603	390,592
– Repayable after one year but within two years	865,424	2,046,995
– Repayable after two years but within five years	337,128	493,757
Bonds		
– Repayable within one year	5,537,785	6,618,969
– Repayable after one year but within two years	–	3,940,427
– Repayable after two years but within five years	1,566,791	–
– Repayable after five years	794,070	789,224
Other borrowings		
– Repayable within one year	1,673,422	433,063
– Repayable after one year but within two years	–	116,287
	<u>13,947,223</u>	<u>14,829,314</u>
Analysed for reporting purpose as:		
Non-current liabilities	3,563,413	7,386,690
Current liabilities	10,383,810	7,442,624
	<u>13,947,223</u>	<u>14,829,314</u>
Analysed as:		
Secured	2,872,999	231,681
Unsecured	11,074,224	14,597,633
	<u>13,947,223</u>	<u>14,829,314</u>

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Non-adjusting events after the reporting period

On 4 March 2022, Profit Plan Global Investment Limited (an indirect wholly-owned subsidiary of the Company) (the “**Subscriber**”) entered into a subscription agreement with Beijing Enterprises Clean Energy Group Limited, a company incorporated in the Cayman Islands with limited liability (“**BECE**”), the ordinary shares of BECE in issue are listed on the Main Board of the Stock Exchange of Hong Kong Limited, pursuant to which BECE has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 48,804,039,247 new ordinary share of BECE (the “**Subscription Shares**”) at the subscription price of HK\$0.096 per share for the total consideration of HK\$4,685,187,768 (the “**Subscription**”).

As at the date of this announcement, BECE had 63,525,397,057 shares in issue. The Subscription Shares represent: (i) approximately 76.83% of the existing total number of the ordinary share of BECE in issue; and (ii) approximately 43.45% of the total number of the ordinary share of BECE in issue as enlarged by the allotment and issuance of the Subscription Shares upon the completion of the Subscription (assuming that there will be no other change in the total number of the ordinary share of BECE in issue). Details of the Subscription have been disclosed by the Company in its announcements dated 14 March 2022. As at the date of this announcement, the Subscription has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group recorded the revenue of approximately HK\$1,065,661,000 as compared with approximately HK\$1,272,354,000 for the Previous Period, representing a decrease of approximately 16.24% year-over-year; gross profit of approximately HK\$738,631,000, as compared with approximately HK\$808,181,000 for the Previous Period, representing an decrease of approximately 8.61% year-over-year; profit for the period amounted to approximately HK\$11,058,000 as compared with loss of the year of approximately HK\$18,307,000 for the Previous Period; loss attributable to owners of the Company of approximately HK\$314,660,000 as compared with a loss of approximately HK\$284,700,000 for the Previous Period representing an increase of approximately 10.52% year-over-year. The aforementioned turnaround in the Company's profit for the Reporting Period was primarily attributable to the substantial decrease in impairment losses on finance lease receivables and loans receivables (net of reversal) of approximately HK\$758,235,000 or 68% from an aggregate of approximately HK\$1,118,119,000 recorded in the Previous Period to an aggregate of approximately HK\$359,884,000 recorded in the Reporting Period. However, the positive effect of the aforementioned reduced impairment losses on finance lease receivables and loans receivables was partially offset primarily by the substantial decrease of approximately HK\$789,732,000 from the fair value gain on financial assets at fair value through profit or loss of approximately HK\$802,375,000 recorded in the Previous Period to the fair value gain on financial assets at fair value through profit or loss of approximately HK\$12,643,000 recorded in the Reporting Period. The basic loss per share attributable to owners of the Company was approximately HK\$1.31 cents, as compared with the basic loss per share of approximately HK\$1.17 cents for the Previous Period.

As at 31 December 2021, the Group recorded total assets of approximately HK\$22,950,451,000 (2020: HK\$24,966,194,000) and total liabilities of approximately HK\$14,337,948,000 (2020: HK\$15,309,446,000), and therefore net assets of approximately HK\$8,612,503,000 (2020: HK\$9,656,748,000).

In view of the prudent financial and risk management measures taken by the Group, the Group believes that COVID-19 pandemic has not had a material adverse effect on the Group's financial position and operating results during the Reporting Period. The Group will closely monitor the development of the COVID-19 pandemic and will evaluate and actively respond to the financial position and business operations of the Group as need.

Market Review

During the Reporting Period, major economies around the world regained momentum as vaccination rates increased and business activity gradually recovered, while the economic impact of the COVID-19 pandemic receded slightly and the global economic environment generally improved. However, tensions between the U.S. and China and geopolitical issues are still a concern. Moreover, the relatively accommodative monetary policies and massive fiscal stimulus programs introduced by governments to boost their economies and maintain financial stability have led to a sustained surge in commodity and energy prices, including the price of oil and natural gas, triggering significant inflation. According to Fitch International, inflation was at multi-year highs in a number of countries and regions around the world in 2021. Consumer prices in the U.S. rose 6.8% year-over-year in November 2021, representing a new high point in 39 years. Inflation in the Eurozone was 4.9%, the highest level since the creation of the Eurozone. Germany's inflation rate was 5.2%, representing a new high point in 29 years. Inflation in emerging markets also rose sharply. Turkey, Brazil and Russia have seen a inflation rate of 21.3%, 10.7% and 8.4%, respectively. The broad-based global inflation picture signals a pending problem of high commodity prices and a mismatch between supply and demand. Inflationary pressures continue to rise, triggering further tightening expectations at the U.S. Federal Reserve. Since November 2021, the U.S. Federal Reserve has announced that it will start to reduce the size of its bond purchases, and the capital markets are expecting that the U.S. Federal Reserve may enter into an interest rate hike in the near future, adding uncertainty to the pace of the global economic recovery. Interest rate hikes may cause global regional financing costs and debt pressure to rise, bringing uncertainty to the market sentiment of major risk assets, stocks, bonds and commodity.

During the Reporting Period, the PRC government continued to adopt prompt and effective prevention and control measures to effectively control the spread of the pandemic and ensure steady economic development after the recovery. According to information circulated by the National Bureau of Statistics of China, China's economy grew by 8.1% year-on-year for the year 2021, exceeding the government's target of "GDP growth of over 6%" for the same year. By quarter, the economy grew by 18.3% in the first quarter, 7.9% in the second quarter, 4.9% in the third quarter and 4.0% in the fourth quarter. The data shows that China's economic development continued to regain stability in 2021, with economic recovery and epidemic control standards maintaining a leading position in the world and key indicators achieving the central government's expectations. The People's Bank of China lowered the reserve requirement ratio for bank deposits by 0.5% in each of July and December 2021, striving to maintain a reasonable level of liquidity, to match the growth rate of money supply and social financing with the nominal economic growth rate, to support the development of small and medium-sized enterprises, and to create a suitable monetary and financial environment.

Business Review

The Group is an investment holding company and its operating segments during the Reporting Period are as follows:

a) *Standard investment business*

The Group engages in standard investment business including equity and fixed income investment by self-owned funds. Since 2021, the cycles in the PRC and foreign countries were further differentiated. For the PRC, due to proper prevention and control of the pandemic, the PRC was among the first to enter the post-COVID-19 era. The slowdown of economic growth, the frequent release of control policies and the introduction of regulatory policies in respect of education, internet and real estate industry beyond expectation all led to deterioration of confidence in the market, while the continuous expansion of PPI-CPI scissors differentials led to the increasing downward pressure on the economy. For foreign countries, facing the challenges of both supply and demand and coupled with the fiercer inflation abroad, the main central banks tightened monetary policies at a faster pace, resulting in a general increase in benchmark interest rates. The uncertainties of domestic policies and the marginal tightening of overseas macro-liquidity environment caused significant decline in equity market. Through a mixture of quantitative and qualitative approach, the Group assessed those structural, policies, cyclical and sudden events in the macro-economy and made corresponding adjustments to portfolio positions and position structure, which mitigated the challenges caused by the regulatory policies beyond expectation, the default in real estate debts and the marginal tightening of liquidity, thus the yields only recorded a low single-digit loss, but already outperformed the indices significantly. During the Reporting Period, the standard investment business recorded a loss before tax of approximately HK\$146,817,000, as compared to a profit before tax of approximately HK\$923,854,000 for the Previous Period.

b) *Non-standard investment business*

The nonstandard investment business of the Group is mainly engaged in the direct investment business, including investment in debt instruments, unlisted bonds, notes, unlisted equity investments and investment funds. In 2021, leveraging on its resource advantages and extensive experience of the team, the Group grasped market opportunities to participate in more quality nonstandard investment projects and make pre-emptive moves in the market. Meanwhile, the Group assessed various risk factors diligently and strictly controlled the threshold criteria to prevent credit default risks, and decreased the scale of new investments of non-standard investment business proactively during the Reporting Period, so as to minimize the risks brought by market changes. During the Reporting Period, the nonstandard investment business recorded profit before tax of approximately HK\$253,632,000 respectively, representing a year-on-year decrease of approximately 48.78% from approximately HK\$495,216,000 for the Previous Period. The decrease was mainly due to the Group decreased the scale of new investments of non-standard investment business proactively after considering the changes in overall market environment.

c) *License business*

The Group conducts license business in Mainland China and Hong Kong. It currently holds Licenses 1, 4, 5, 6 and 9 issued by the Securities and Futures Commission of Hong Kong and a Hong Kong money lender license, as well as domestic licenses for Qualified Foreign Limited Partner (QFLP) fund managers and financial asset trading platforms. The Group serves corporate and individual clients in Mainland China, Hong Kong and the world, providing them with integrated financial services related to crossborder investment and financing needs in Mainland China and Hong Kong, including:

- **Asset management business:** The Group provides high-net-worth clients with cross-border asset management and global asset allocation services through innovative policies such as QFII and RQFII. In addition, the Group has an investment management team with extensive experience, which can tailor investment portfolios to clients according to their different risk tolerance, investment needs and goals. The Group is committed to providing personalized and high-quality investment services, so that the clients' investment returns can achieve a perfect balance among risk control, asset value preservation and asset appreciation. The Group is striving to improve its own research capabilities and increase senior staff, and it is expected that the revenue of this segment will be positively affected;
- **Securities brokerage business:** CSFG International Securities Limited (“CSFG International Securities”), a wholly-owned subsidiary of the Company, has an outstanding team to provide customers with fast and accurate market information and considerate and professional service in respect of capital market, leveraging on their expertise and intensive market experience as well as flexible and reliable internet transaction methods. In addition to the securities dealing and brokerage business in the Hong Kong securities market, CSFG International Securities also provides margin, underwriting of stocks and bonds, subscription of new shares, withdrawal and deposit of stocks and custodian services;

- Structured financing business: The structured financing business of the Group focus on commercial loans with “short term, collateralized and low risk”, aiming to utilize funds from its financial lending business in a more effective way;
- Advisory services and asset trading platform: The Group provides “asset trading and integrated services” for various financial institutions, non-financial institutions and investors, and strives to satisfy their demand by continual innovation of business models, product services, financial instruments as well as investment and financing approaches, with an aim to providing international and professional across-the-board services for various asset trading, registration, custody, trading, financing, and settlement of related products.

During the Reporting Period, the license business of the Group recorded profit of approximately HK\$17,101,000, as compared to loss of approximately HK\$84,144,000 for the Previous Period. The turnaround was mainly attributable to the fact that the Group continued to adjust and optimize the business strategies of advisory services and asset trading platforms to further minimize operational risks, and conduct related license business by adhering to prudent and steady development.

d) Financial leasing

During the Reporting Period, the financial leasing business of the Group recorded a loss of approximately HK\$323,210,000, representing a decrease of approximately 67.21% year-over-year. The significant decrease in loss was mainly attributable to substantial decrease of the impairment loss of financial leasing receivables.

e) Financial technology

During the Reporting Period, the financial technology business recorded revenue of approximately HK\$18,671,000, as compared to revenue of approximately HK\$111,828,000 in the Previous Period. To further strengthen the Group’s cash flow and liquidity position and to optimize and distribute existing resources for future development of other business segments, the Group disposed of all the shares in Coastal Silk Limited, an indirect wholly-owned subsidiary of the Company, on 7 April 2021, and recorded gain on disposal of subsidiaries of approximately HK\$171,135,000. Upon completion of the Disposal, the Group no longer holds the business of financial technology. For details, please refer to the announcement of the Company dated on 7 April 2021 and the Company’s 2021 interim report.

FUTURE PROSPECTS

Looking ahead to 2022, international financial markets continue to be concerned about the direction of monetary policy to be exercised by the central banks of developed economies such as the U.S. Federal Reserve. Investors are currently watching the expected U.S. Federal Reserve rate hike cycle and the impact of the U.S. Federal Reserve's balance sheet reduction on financial markets, the U.S. dollar, and U.S. long bonds, which may increase volatility in various asset markets. According to the minutes of the monetary policy meeting of U.S. Federal Reserve in December 2021, some Federal Reserve officials have indicated that they are considering to bring forward the first interest rate hike at the earliest of March 2022. This may trigger some central banks around the world to follow the U.S. monetary policy, suspend the provision of new liquidity, start to raise interest rates and shrink their balance sheets to avoid depreciation of their own currencies. The fact that major economies around the world are following the U.S. in raising interest rates will create uncertainty for the global economic recovery.

Last year, China's economy was the first to rebound from the epidemic, and is expected to strive to maintain stability this year. The communiqué of the Central Economic Work Conference at the end of the 2021 showed that China's economy is currently facing triple pressure of "shrinking demand, supply shock and weakening expectations", which requires that in 2022, "the top priority of economic work should be stabilization and progress should be sought in the midst of stability, and all regions and government departments shall take up the responsibility of stabilizing the macro economy, all parties should actively launch policies that are conducive to economic stability, and policy development should be appropriately advanced." This shows that in 2022, China's economic work is expected to focus on stabilizing growth and relaxing monetary and fiscal policies. After China lowered the reserve requirement ratio twice last year, the space for adjustment of the reserve requirement ratio is now slightly narrower, but the authorities could still adjust it according to the economic and financial situation and the needs of macroeconomic control.

As for the RMB exchange rate, the People's Bank of China has recently forecasted that RMB may face depreciation pressure due to the "four differential changes" of the narrowing of domestic and foreign currency spreads, changes in economic growth differential, narrowing of external trade differential and reversal of risk expectation differential, reminding enterprises to cope with the risk of RMB depreciation and indicating that it will continue to adjust its monetary policy according to the prevailing economic conditions.

In terms of the stock market, U.S. stocks are expected to fluctuate due to the interest rate hike cycle, and U.S. stock indices such as the S&P 500 are unlikely to continue their trend of high annual returns of nearly 29% as they did last year. The biggest risk to the stock market today is the widespread pandemic caused by Omicron, a new strain of novel corona virus, while the U.S. Federal Reserve's tightening policy is likely to lead to alternating sentiment in global financial markets. As for A-shares and Hong Kong stocks, China's macroeconomic growth is expected to be stable and corporate earnings growth is expected to remain stable in the middle of the year. Domestic fiscal, monetary, credit and industrial policies are expected to remain accommodative. While there are bubbles in individual sector valuations, most valuations are

still relatively reasonable or at an undervalued level. Therefore, the systemic risk of the A-share market should be relatively small this year. On the bond front, the prospect of a U.S. Federal Reserve rate hike is a foregone conclusion. The overall volatility of the US dollar investment grade bond market will remain stable. As for the RMB government bond market, it is expected that the U.S. Federal Reserve will raise interest rates this year and the spread between the US and China may narrow to a certain extent, and the RMB exchange rate is under pressure to depreciate. Therefore, the demand for active allocation of Chinese bonds by foreign institutions may be affected by the downside.

The COVID-19 has not affected the operations of the Group. Confronting the relatively complex external environment, the Group will pay close attention to the potential impact of the pandemic on the market and its business and will continue to take “prudent compliance and steady development” as the core value for our development and take risk prevent and control as the first priority of its development, and establish a comprehensive internal control system with a comprehensive risk management system as the core, adhere to the bottom line of compliance and promote the steady development of its work. The Group will actively respond to challenges, leverage its strengths, and optimise and consolidate internal and external resources to enhance coordination and synergy across all business lines and commit to the exploration of new opportunities for sustainable growth while strengthening the foundation of its advantageous businesses.

The Group will promote all aspects of business, and continue to deepen investment opportunities related to industrial investment, further strengthen its overall investment research and project development capabilities to explore more high-quality projects and investment opportunities. The Group will continuously consolidate the market positioning of each subsidiary to strengthen the differentiated competitive advantages of each subsidiary. At present, the business of the Group covers the PRC, Hong Kong and Singapore, with diversified operating licenses and business forms. The Group will make full use of the market advantages of each region to deepen the overall synergy among its subsidiaries and cross-border linkage, so as to provide clients with comprehensive and integrated services for both domestic and overseas matters. At the same time, the Group also encourages its subsidiaries to fully utilise their endogenous power and strengthen their investment capabilities to promote the overall efficiency of the Group.

In addition, the Group will continue to deepen the internal synergy with the subsidiaries of Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司) (“**Shandong Hi-Speed Group**”), fully utilise the resources advantage of Shandong Hi-Speed Group, and strive to seek development on a higher platform and a broader market. As an overseas listed company, the Group will fully leverage its advantages of professional teams to properly carry out ancillary businesses such as asset securitisation, internationalisation, and overseas investment and financing. Meanwhile, benefited from the resource advantages given to the Group by Shandong Hi-Speed Group, the Group will deeply integrate its own advantages of the market-oriented mechanism to obtain complementary elements of operation and development, so as to achieve a win-win cooperation for both sides.

Development strategies of business segments:

- a) **Standard investment business**, although the market volatility has intensified due to the effects of geopolitical situation and relevant policies, the current economic fundamentals of Mainland China and Hong Kong have not changed significantly, and the medium-term positive trend of the market remains unchanged. The irrational decline in the market brings opportunities for the Group to invest in outstanding companies, and these companies will eventually win out in the long-term competition in the industry. Adhering to the long-term value investment philosophy, the Group is committed to identifying high-quality companies with long-term performance growth and companies with long-term advantages in all walks of life. In addition, in the current situation of increasing credit market polarization, the Group will conduct in-depth credit mining and investment in some oversold ultra-short-term investment targets, and industries that are improving with less market attention under the premise of risk control. For individual corporate bonds with relatively strong financing ability and good quality, the Group will make appropriate leverage operations to increase return, and seize the possible trading opportunities of some high-quality enterprises under the market fluctuation caused by special events. At the same time, according to the market environment sentiment, the Group will make a small amount of diversified investment in fully market-oriented transactions with the operation of “micro-precision + diversification + high turnover”.
- b) **Nonstandard investment business**, the Group will continue to strengthen risk management and control measures, strengthen post-investment management of projects, conduct regular scenario analysis and stress tests, comprehensively sort out existing customers, and strengthen cooperation with high-quality customers on the premise of ensuring controllable risks. The Group will continue to conduct in-depth research and followup on specific industries, and with the cooperation of various business segments, capture special investment opportunities in high-quality enterprises or markets. By expanding the search scope of investment projects, the Group will further expand the scale of equity and M&A projects to lay the foundation for future earnings. The Group will also continue to provide capital support to leading enterprises with a fast-growing market scale, mature business model, high investment value and endorsement by well-known investors.
- c) **Equity fund business**, the Group will make full use of the advantages of the QFLP license to introduce overseas funds to promote foreign investment in industries encouraged by the state and promote industrial upgrading, while meeting diversified investment and financing needs of both domestic and overseas customers. By mobilizing resources in domestic and overseas markets, it will achieve efficient internal and external linkages and coordinated development. At the same time, by taking advantage of the uniqueness of the QFLP license, the domestic subsidiaries of the Group can cooperate with overseas subsidiaries to participate in domestic equity projects and assist overseas subsidiaries in due diligence and other works before investment. In addition, the Group will further promote the collaboration with Shandong Hi-Speed Group, dig into other high-quality resources within Shandong Hi-Speed Group and identify high-quality equity investment opportunities, and share resources with other investment platforms of Shandong Hi-Speed Group to jointly analyze investment projects.

- d) **Asset management business**, the Group will strengthen its cooperation with market peers to jointly explore customer resources. On the other hand, the domestic subsidiaries of the Group will continue to expand their asset management business, give full play to their location advantages, brand advantages, QFLP license advantages, equity investment policy benefit advantages of the Shenzhen Special Economic Zone and regional advantages of Guangdong-Hong Kong-Macau Greater Bay Area, and actively carry out cross-border business and domestic asset management business. In addition, the Group will strengthen communication with potential investors to understand their different capital attributes and risk-return preferences, and proactively seek suitable high-quality projects and third-party funds in the market.
- e) **Securities brokerage business**, while expanding its business of stock and bond underwriting, securities transaction and margin transaction, the Group plans to launch its new IPO margin financing business in line with market needs so as to attract more new customers and increase interest margin income. At the same time, the Group will continue to optimise algorithmic trading with its counterparties and improve the infrastructure construction of securities companies. In addition, we will fully leverage on the high-quality resources and networks of the Group to serve Hi-Speed Group and other enterprises in the province with overseas investment needs, so as to become a critical gateway of overseas investments of enterprises in Shandong Province. We will expand new institutional clients appropriately on the basis of our existing customers, so as to drive the growth of securities trading business by the investment business of Financial Group and the margin business of Securities Company.
- f) **Financial leasing business**, the Group will further strengthen its financing leasing business and prudently develop factoring business. In addition, the Group will learn advanced technology by leveraging on the resources advantages of Shandong Hi-Speed Group, the Group, and excellent peers, to achieve resource sharing and consolidate, grow and optimize our leasing business. At the same time, the Group will give full play to the talents and potential of its team, seize the relief opportunities of economic and industrial restructuring, energy conversion, and investment and financing optimization opportunities of enterprises and projects in an environment of economic periodic fluctuations, as well as appropriately participate in special investment opportunities such as relief and restructuring of listed companies and revitalization of real estate projects.

The Group will continue to seek potential acquisition targets that will create synergy with the Group and enhance its profitability. As at the date of this announcement, save for disclosed in the announcement of the Company dated 14 March 2022, the Group does not have any specific acquisition targets.

LIQUIDITY AND FINANCIAL RESOURCES

In order to prevent the potential impacts of the COVID-19 pandemic, the Group proactively strengthened the management of external financing and banking facilities, effectively reduced capital costs and continuously improved debt structure. During the Reporting Period, the Group had sufficient liquidity and working capital to maintain normal business operations. As at 31 December 2021, the total amount of cash and cash equivalents of the Group was approximately HK\$1,334,300,000 (2020: HK\$5,045,748,000), total assets were approximately HK\$22,950,451,000 (2020: HK\$24,966,194,000) and total borrowings were approximately HK\$13,947,223,000 (2020: HK\$14,829,314,000).

As at 31 December 2021, the Company had a total of 24,089,384,437 issued shares with a par value of HK\$0.00025 each, and the total equity attributable to the owners of the Company was approximately HK\$1,408,651,000 (2020: HK\$2,393,777,000).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the outstanding borrowings of the Group were comprised of bank borrowings, bonds and other borrowings which were approximately HK\$4,375,155,000 (2020: HK\$2,931,344,000), HK\$7,898,646,000 (2020: HK\$11,348,620,000) and HK\$1,673,422,000 (2020: HK\$549,350,000), respectively. As at 31 December 2021, the outstanding bonds of the Group included, two secured bonds with a coupon rate of 3.95% per annum (the outstanding amount: approximately HK\$5,531,469,000), a secured bond with a coupon rate of 4.30% per annum (the outstanding amount: approximately HK\$794,070,000), a secured bond with a coupon rate of 3.20% per annum (the outstanding amount: approximately HK\$702,131,000), a secured bond with a coupon rate of 2.80% per annum (the outstanding amount : approximately HK\$470,613,000), a secured bond with a coupon rate of 1.30% per annum (the outstanding amount: approximately HK\$390,309,000) and an unsecured bond with a coupon rate of 1% per annum (the outstanding amount: approximately HK\$10,054,000). The above-stated bonds and other borrowings were denominated in US dollars and Hong Kong dollars.

GEARING RATIO

As at 31 December 2021, the gearing ratio (total outstanding borrowings divided by total assets) of the Group was approximately 60.77% (2020: 59.40%).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The Group will pay attention to the possible exchange rate exposure due to the continuing fluctuation of Renminbi, closely monitor its impact on the performance of the Group and consider adopting appropriate hedging measures when necessary. In addition, the Group also pays attention to the impact of the U.S. interest rate fluctuations on its U.S. dollar-denominated assets from time to time, and takes appropriate response measures. During the Reporting Period, the Group's management considers the foreign exchange exposure was insignificant and therefore the Group has neither held any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge.

PLEDGE OF ASSETS

As at 31 December 2021, the Group's finance lease receivables with a carrying amount of approximately HK\$155,325,000 (2020: HK\$67,940,000), financial assets at fair value through profit or loss of approximately HK\$1,240,019,000 (2020: HK\$ nil), and financial assets at fair value through other comprehensive income of approximately HK\$2,616,884,000 (2020: HK\$381,337,000) have been pledged to secure borrowings of the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitment during the Reporting Period.

EMPLOYEE, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 December 2021, there were 163 employees (including the directors of the Group and directors of the Company's subsidiaries), while there were 512 employees for the corresponding period of 2020. Such change was mainly due to the fact that after the disposal of the entire shares of Coastal Silk Limited, an indirect wholly-owned subsidiary of the Company, on 7 April 2021, the number of employees of Coastal Silk Limited was no longer included in the Group. During the Reporting Period, the Group's employee costs (including Directors' remuneration) incurred and included in profit or loss were approximately HK\$196,140,000, an increase of approximately 4.88% over the Previous Period, mainly due to the Group reformed three business departments and adjusted the staffing during the Reporting Period and further optimized the staff incentive scheme to ensure the remuneration packages were targeted at core talents and high-level talents.

The Group actively attracts outstanding talents and builds a strong team to maintain the overall business growth of the Group. In order to retain and motivate employees, the Group has formulated an internal remuneration policy. When selecting and promoting employees, the Group will make a decision with reference to their qualification, experience and suitability for the position offered. The performance of employees will also be used as the basis for reviewing remuneration package during the annual review. Meanwhile, competitive remuneration packages are offered to employees by reference to the prevailing market level and individual merits.

In addition, the Group also provides employees with a series of welfare policies to enhance their sense of belonging and work enthusiasm, and jointly promote the sustainable development of the Group. In order to motivate employees to work hard, the Group provides bonuses and rewards to outstanding performance employees. The Group determines the working hours of employees in accordance with relevant laws and regulations, and provides transportation reimbursement and compensatory leave for employees who work overtime. In addition, the Group provides employees with social insurance, housing provident fund and mandatory provident fund and other benefits. In addition to statutory holidays and regular paid annual leave, employees are also entitled to additional leave benefits such as sick leave, marriage leave, maternity leave, paternity leave and compassionate leave. In addition, eligible participants who contribute to the success of the Group's operations will also receive incentives and compensation under the Share Option Scheme.

Employees are the essential driving force to the sustainable development of the Group. Adhering to a people-oriented approach to talent management, the Group continues to invest resources to attract and retain talents. Employees are provided with competitive remuneration and benefit packages and equal opportunities, as well as a wide range of training and development opportunities. The Group optimises its human resources management system continuously with a view to providing employees with a friendly and healthy workplace and ensuring that employees may can develop their talents and potential.

EVENTS AFTER THE REPORTING PERIOD

Formation of Limited Partnership Corporation

On 31 January 2022, Shangao (Shenzhen) Investment Co., Ltd.* (山高(深圳)投資有限公司) (“**Shangao Shenzhen Investment**”) (as limited partner), an indirect wholly-owned subsidiary of the Company, entered into a partnership agreement (the “**Partnership Agreement**”) with Jinan Shangao Risheng Investment Co., Ltd.* (濟南山高日昇投資有限公司) (“**Shangao Sunrise Investment**”) (as general partner and executive partner) and Jinan Changying Jincheng Equity Investment Partnership (Limited Partnership)* (濟南暢贏金程股權投資合夥企業(有限合夥)) (“**Jinan Changying**”) (as limited partner) in relation to the formation of a limited partnership corporation under the laws of the PRC, named as Jinan Shangao Luqiao Jincheng Investment Partnership (Limited Partnership)* (濟南山高魯橋金程投資合夥企業(有限合夥)) (the “**Limited Partnership Corporation**”). Pursuant to the Partnership Agreement, Shangao Sunrise Investment, Shangao Shenzhen Investment and Jinan Changying committed to contribute RMB1 million, RMB400 million and RMB400 million, respectively, representing approximately 0.12%, 49.94% and 49.94%, respectively, of the total committed capital of the Limited Partnership Corporation.

As at the date of the Partnership Agreement, as Shandong Hi-Speed Group indirectly held approximately 43.42% of all issued share capital of the Company, it was a controlling shareholder of the Company. On the other hand, Shandong Hi-Speed Group (i) indirectly held more than 50% equity interest in Shangao Sunrise Investment; and (ii) indirectly held more than 50% equity interest in Jinan Changying. Therefore, Shangao Sunrise Investment and Jinan Changying were indirect non wholly-owned subsidiaries of Shandong Hi-Speed Group and thus connected persons to the Company. Accordingly, the entering into of the Partnership Agreement constituted a connected transaction of the Company.

Details of the transaction contemplated under the Partnership Agreement, including but not limited to the principal terms of the Partnership Agreement, the background and relevant experience of the management team of Shangao Sunrise Investment, details of the investment mandate and description of nature of the underlying investments are set out in the announcements of the Company dated 31 January 2022 and 25 February 2022.

As at the date of this announcement, the Limited Partnership Corporation has so far made investment of approximately RMB292.5 million as capital contribution (as limited partner) in a limited partnership corporation formed under the laws of the PRC within its investment scope, of which Shangao Sunrise Investment also acted as general partner. The auditing and profit distribution of such investments shall be conducted once or twice a year, and that a substantial part of the investment returns shall be collected within 4 years from the date of investment for the purpose of minimizing investment risks.

Subscription of New BECE Shares

On 4 March 2022, Profit Plan Global Investment Limited (an indirect wholly-owned subsidiary of the Company) (the “**Subscriber**”) entered into a subscription agreement with Beijing Enterprises Clean Energy Group Limited, a company incorporated in the Cayman Islands with limited liability (“**BECE**”) which ordinary shares in issue are listed on the Main Board of the Stock Exchange, pursuant to which BECE has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 48,804,039,247 new ordinary share of BECE (the “**Subscription Shares**”) at the subscription price of HK\$0.096 per share for the total consideration of HK\$4,685,187,768 (the “**Subscription**”).

As at the date of this announcement, BECE had 63,525,397,057 shares in issue. The Subscription Shares represent: (i) approximately 76.83% of the existing total number of the ordinary share of BECE in issue; and (ii) approximately 43.45% of the total number of the ordinary share of BECE in issue as enlarged by the allotment and issuance of the Subscription Shares upon the completion of the Subscription (assuming that there will be no other change in the total number of the ordinary share of BECE in issue). Details of the Subscription have been disclosed by the Company in its announcements dated 14 March 2022. As at the date of this announcement, the Subscription has not been completed.

DIVIDENDS

The Board does not recommend the payment of any dividend for the Reporting Period (Previous Period: Nil).

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the Reporting Period, save for disclosed below, the Company has complied with all the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

Pursuant to Code Provision A.2.1 of the CG Codes, the roles of the Chairman and the Chief Executive Officer (the "**CEO**") should be separate and should not be performed by the same individual. Mr. Wang Xiaodong is the Chairman of the Board. The office of the CEO has been vacant during the Reporting Period. Since Mr. Mei Weiyi's resignation as CEO, the Company has been actively identifying suitable candidate to fill the vacancy of CEO.

To ensure a balance of power and authority, the day-to-day operations of the Group have been delegated to other executive Directors and the management of the Group responsible for different aspects of the Group's business. Decisions of the Company have been made collectively by the executive Directors who execute strategies set by the Board, and senior management of the Company have been responsible for the day-to-day operations of the Group under the supervision of the Board and the executive committee of the Company. The Board will review this structure from time to time and will make announcement in accordance with the applicable Listing Rules when a new CEO is appointed by the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in accordance with the requirements of the CG Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises two non-executive Directors and three independent non-executive Directors. The Group's consolidated results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code throughout the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.csfg.com.hk). The annual report for the year ended 31 December 2021 will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.csfg.com.hk) and also be dispatched to the shareholders of the Company in due course.

By Order of the Board
China Shandong Hi-Speed Financial Group Limited
Wang Xiaodong
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Company has three executive directors, namely Mr. Wang Xiaodong, Mr. Liu Zhijie and Mr. Liu Yao; four non-executive directors, namely Mr. Zhu Jianbiao, Mr. Liang Zhanhai, Mr. Chen Di, Mr. Wang Wenbo; and four independent non-executive directors, namely Mr. Guan Huanfei, Mr. Chan Wai Hei, Mr. Tan Yuexin and Mr. Jonathan Jun Yan.

* *for identification purpose only*