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OSHIDORI INTERNATIONAL HOLDINGS LIMITED

威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 622)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “**Board**”) of Oshidori International Holdings Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 as follows:

* *For identification purpose only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue			
Advisory, commission income and other fee income		8,855	3,344
Net (loss) gain on sales of financial assets at fair value through profit or loss (“FVPL”)		(3,225,077)	105,704
Interest income		99,145	150,953
Dividend income		15,222	20,458
		<hr/>	<hr/>
Total revenue	3	(3,101,855)	280,459
Other income	4	27,318	12,880
Other net gains	5	196,555	495,820
Net unrealised fair value (loss) gain on financial assets at FVPL	7	(97,400)	2,649,597
Gain on disposal of loan receivables		–	134,537
Impairment loss in respect of loan receivables, net	16(c)	(7,941)	(76,907)
Depreciation and amortisation expenses	7	(32,162)	(38,882)
Employee benefits expenses	7	(29,202)	(57,673)
Other expenses	7	(196,214)	(167,428)
Share of results of associates	14	(283,393)	(2,245)
Finance costs	6	(26,793)	(21,069)
		<hr/>	<hr/>
(Loss) Profit before taxation	7	(3,551,087)	3,209,089
Income tax credit (expense)	8	405,359	(389,631)
		<hr/>	<hr/>
(Loss) Profit for the year		(3,145,728)	2,819,458
		<hr/>	<hr/>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive (loss) income:			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value change on equity investments measured at fair value through other comprehensive income (“ Designated FVOCI ”)	<i>13(a)</i>	<u>(1,061,279)</u>	<u>615,646</u>
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>			
Fair value change on debt investments measured at fair value through other comprehensive income (“ Mandatory FVOCI ”)		–	(180)
Fair value change on Mandatory FVOCI reclassified to profit or loss upon disposal		–	740
Exchange differences arising on translation to presentation currency		<u>330</u>	<u>13,034</u>
		<u>330</u>	<u>13,594</u>
Total other comprehensive (loss) income for the year		<u>(1,060,949)</u>	<u>629,240</u>
Total comprehensive (loss) income for the year		<u>(4,206,677)</u>	<u>3,448,698</u>
(Loss) Profit for the year attributable to:			
Owners of the Company		<u>(3,145,728)</u>	2,819,555
Non-controlling interests		–	(97)
		<u>(3,145,728)</u>	<u>2,819,458</u>
Total comprehensive (loss) income attributable to:			
Owners of the Company		<u>(4,206,677)</u>	3,451,264
Non-controlling interests		–	(2,566)
		<u>(4,206,677)</u>	<u>3,448,698</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) Earnings per share			
Basic	<i>10</i>	<u>(51.46)</u>	<u>46.92</u>
Diluted		<u>(51.46)</u>	<u>46.80</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property and equipment		162,035	184,499
Investment property	11	102,750	–
Right-of-use assets	12	10,554	9,900
Designated FVOCI	13	2,781,999	3,271,186
Financial assets at FVPL	18	2,497	270,827
Interests in associates	14	50,736	–
Intangible assets	15	9,866	8,866
Other deposits		1,354	442
Loan receivables	16	12,405	55,926
		3,134,196	3,801,646
Current assets			
Trade, loan and other receivables	16	1,427,067	1,802,685
Income tax recoverable		2,666	1,953
Promissory note receivable	17	144,000	192,146
Financial assets at FVPL	18	725,245	4,413,163
Bank balances – trust and segregated accounts		27,203	7,655
Cash and cash equivalents		848,645	683,299
		3,174,826	7,100,901
Current liabilities			
Trade and other payables	19	309,585	305,481
Lease liabilities	20	6,623	7,997
Income tax payable		1,377	6,065
Loan payable	21	246,568	235,068
		564,153	554,611
Net current assets		2,610,673	6,546,290
Total assets less current liabilities		5,744,869	10,347,936

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Deferred taxation		–	408,705
Lease liabilities	20	<u>4,023</u>	<u>2,062</u>
		<u>4,023</u>	<u>410,767</u>
NET ASSETS		<u>5,740,846</u>	<u>9,937,169</u>
Capital and reserves			
Share capital		305,463	305,680
Reserves		<u>5,435,383</u>	<u>9,629,684</u>
Equity attributable to owners of the Company		<u>5,740,846</u>	9,935,364
Non-controlling interests		–	<u>1,805</u>
TOTAL EQUITY		<u>5,740,846</u>	<u>9,937,169</u>

1. GENERAL

Oshidori International Holdings Limited (the “**Company**”) is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company and its subsidiaries (together the “**Group**”) principally engages in investment holdings, tactical and/or strategical investments, and the provisions of (i) securities brokerage services, (ii) margin financing services, (iii) placing and underwriting services, (iv) corporate finance advisory services, (v) investment advisory and asset management services, and (vi) credit and lending services.

Certain group entities are licensed under the Hong Kong Securities and Futures Ordinance with the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts

Type 4: Advising on securities

Type 6: Advising on corporate finance

Type 9: Asset management

A group entity obtained the licence in dealing in futures contracts during the year ended 31 December 2019 and has obtained trading rights and commenced the business of dealing in futures contracts during the year ended 31 December 2021.

On 6 October 2020, another group entity applied for the licence for Type 8 (securities margin financing) regulated activity and the application of such licence was still in progress during the year ended 31 December 2021.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

3. REVENUE AND SEGMENT INFORMATION

(A) Revenue

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Advisory, commission income and other fee income	<i>(b)</i>	<u>8,855</u>	<u>3,344</u>
Net (loss) gain on sales of financial assets at FVPL	<i>(a)</i>	<u>(3,225,077)</u>	<u>105,704</u>
Interest income from:			
– margin clients		25,060	37,068
– loan receivables		65,779	105,028
– unlisted callable fixed coupon notes at FVPL		8,306	4,859
– unlisted convertible notes at FVPL		–	2,761
– listed bonds at Mandatory FVOCI		–	1,237
		<u>99,145</u>	<u>150,953</u>
Dividend income from:			
– financial assets at FVPL		9,269	4,799
– Designated FVOCI		5,953	15,659
		<u>15,222</u>	<u>20,458</u>
		<u>(3,101,855)</u>	<u>280,459</u>

Notes:

- (a) The amount represented the proceeds from the sale of financial assets at FVPL of approximately HK\$748,076,000 (2020: approximately HK\$667,851,000) less relevant costs and carrying value of the investments sold of approximately HK\$3,973,153,000 (2020: approximately HK\$562,147,000).

- (b) In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Financial services	
	<i>(as defined in note (B) below)</i>	
	2021	2020
	HK\$'000	HK\$'000
<i>Timing of revenue recognition:</i>		
Fee and commission income		
– at a point in time	4,440	3,066
Advisory and other fee income		
– over time	4,415	278
	<hr/>	<hr/>
Total revenue from contracts with customers within HKFRS 15	8,855	3,344
	<hr/> <hr/>	<hr/> <hr/>

(B) Segment information

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group's reportable and operating segments are as follows:

Financial services	Provision of securities brokerage, margin financing, placing and underwriting, investment advisory, assets management and corporate finance advisory services
Tactical and/or strategic investments	Investment in financial instruments
Credit and lending services	Provision of credit and money lending services

Segment revenue and results

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

For the year ended 31 December 2021

	Financial services HK\$'000	Tactical and/or strategical investments HK\$'000	Credit and lending services HK\$'000	Consolidated HK\$'000
Revenue				
Advisory, commission income and other fee income	8,855	–	–	8,855
Net loss on sales of financial assets at FVPL	–	(3,225,077)	–	(3,225,077)
Interest income	25,060	8,306	65,779	99,145
Dividend income	–	15,222	–	15,222
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	33,915	(3,201,549)	65,779	(3,101,855)
Net unrealised fair value loss on financial assets at FVPL	–	(92,838)	–	(92,838)
	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	<u>33,915</u>	<u>(3,294,387)</u>	<u>65,779</u>	<u>(3,194,693)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit (loss)	<u>23,450</u>	<u>(3,547,191)</u>	<u>37,374</u>	<u>(3,486,367)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated other income				7,393
Unallocated other net losses				(2,665)
Unallocated unrealised fair value loss on financial assets at FVPL				(4,562)
Unallocated share of results of associates				254
Unallocated finance costs				(319)
Central corporate expenses				<u>(64,821)</u>
				<hr/>
Loss before taxation				<u>(3,551,087)</u>

For the year ended 31 December 2020

	Financial services <i>HK\$'000</i>	Tactical and/or strategical investments <i>HK\$'000</i>	Credit and lending services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Advisory, commission income and other fee income	3,344	–	–	3,344
Net gain on sales of financial assets at FVPL	–	105,704	–	105,704
Interest income	37,068	8,857	105,028	150,953
Dividend income	–	20,458	–	20,458
	<u>40,412</u>	<u>135,019</u>	<u>105,028</u>	<u>280,459</u>
Total revenue	40,412	135,019	105,028	280,459
Net unrealised fair value gain on financial assets at FVPL	–	2,649,597	–	2,649,597
	<u>40,412</u>	<u>2,784,616</u>	<u>105,028</u>	<u>2,930,056</u>
Segment revenue	<u>40,412</u>	<u>2,784,616</u>	<u>105,028</u>	<u>2,930,056</u>
Segment profit	<u>29,748</u>	<u>3,191,791</u>	<u>127,672</u>	<u>3,349,211</u>
Unallocated other income				5,550
Unallocated other net gains				3,082
Share of results of associates				(2,245)
Unallocated finance costs				(2,878)
Central corporate expenses				<u>(143,631)</u>
Profit before taxation				<u>3,209,089</u>

Segment revenue includes revenue from financial services, tactical and/or strategical investments and credit and lending services. In addition, the chief operating decision makers also consider net unrealised fair value (loss) gain on financial assets at FVPL as segment revenue.

The accounting policies of the segment reporting are set out as the Group's accounting policies. Segment result represents the loss incurred or profit earned by each segment without allocation of certain other income, certain other net (losses) gains, certain unrealised fair value loss on financial assets at FVPL, certain share of results of associates, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on:			
– bank deposits		3,645	2,961
– promissory note receivable	<i>17</i>	7,854	721
– financial assets at FVPL	<i>18(b)</i>	3,664	–
– others		3	75
		15,166	3,757
Property licence fee income		200	–
Government subsidies		–	1,992
Handling fee income		4,679	849
2Scrip fee income		2,388	404
Others		4,885	5,878
		27,318	12,880

5. OTHER NET GAINS

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of deferred day-one gain		–	5,611
Fair value loss on investment property	<i>11</i>	(7,221)	–
Gain on disposal of a subsidiary		–	1
Net gain on acquisition and disposal of an associate	<i>14(a)</i>	287,722	–
Gain on bargain purchase from acquisition of an associate	<i>14(b)</i>	2,482	–
Gain on disposal of an associate		–	8,433
Impairment loss on goodwill		–	(79)
Impairment loss on other receivables		(20,000)	–
Profit from disposal of a Designated FVOCI under the tactical and/or strategic investments segment	<i>13(a)</i>	20,862	489,785
Loss on redemption of financial assets at FVPL	<i>18(a)</i>	(110,162)	–
Loss on disposal of Mandatory FVOCI		–	(740)
Loss on disposal of property and equipment		–	(5,610)
Net exchange gain (loss)		6,010	(1,581)
Recovery of doubtful consideration receivable on disposal of a subsidiary judged by the court in current year		16,862	–
		196,555	495,820

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest expense	4	–
Interest on loan payable	11,500	8,255
Interest on margin financing	14,970	12,309
Imputed interest on lease liabilities	319	505
	<u>26,793</u>	<u>21,069</u>

7. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Employee benefits expenses (including directors' emoluments)			
Salaries and other benefits		26,561	26,907
Retirement benefit scheme contributions		516	595
Share-based payment expenses		2,125	30,171
		<u>29,202</u>	<u>57,673</u>
Net unrealised fair value loss (gain) on financial assets at FVPL		<u>97,400</u>	<u>(2,649,597)</u>
Depreciation and amortisation expenses			
Depreciation on property and equipment		22,998	27,563
Depreciation on right-of-use assets	12	8,664	11,277
Amortisation on intangible assets	15	500	42
		<u>32,162</u>	<u>38,882</u>
Other expenses			
Auditor's remuneration		2,280	2,333
Business development expenses	(a)	140,141	40,114
Business registration fee, statutory fees and listing fees		1,022	680
Financial information charge		1,945	2,216
Handling and settlement expenses		2,353	367
Investment transaction cost		6,695	1,790
Legal and professional fees		6,696	8,883
Marketing expenses		6,649	9,351
Other operating expenses		8,485	26,897
Share-based payment expenses to service providers		18,062	72,521
Short-term leases	12	200	2,276
Withholding tax related to recovery of doubtful consideration receivable on disposal of a subsidiary judged by the court in current year		1,686	–
		<u>196,214</u>	<u>167,428</u>

Note:

- (a) The amount represented the expenditures incurred by the Group for participating in the selection process to become the integrated resort operator for the Nagasaki Prefecture which is organised by the Government of Japan since 2020. The selection process was delayed in 2020 due to the impact of COVID-19 and the process resumed in 2021. However, the Group withdrew from the project in August 2021 due to the restrictive and unreasonable rules and measures constantly imposed by the Nagasaki Prefecture.

8. INCOME TAX (CREDIT) EXPENSE

The profits tax rate for the first HK\$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2,000,000 will continue be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
– Current year	4,143	5,204
– (Over) Under provision in prior year	(797)	1,254
	<u>3,346</u>	<u>6,458</u>
Deferred taxation		
Origination and reversal of temporary difference	(408,705)	383,173
	<u>(405,359)</u>	<u>389,631</u>
Income tax (credit) expense	<u>(405,359)</u>	<u>389,631</u>

9. DIVIDENDS

The directors of the Company (“**Directors**”) do not recommend the payment of any dividends for the year ended 31 December 2021 (2020: Nil).

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on (loss) profit attributable to the equity holders of the Company and the weighted average number ordinary shares in issue during the year as follows:

(Loss) Earnings

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss) Profit for the year attributable to equity shareholders of the Company, for the purpose of basic and diluted (loss) earnings per share	<u><u>(3,145,728)</u></u>	<u><u>2,819,555</u></u>

Number of shares

	2021	2020
Weighted average number of ordinary shares, for the purpose of basic (loss) earnings per share	<u><u>6,112,500,783</u></u>	<u><u>6,008,795,790</u></u>

Effect of dilutive potential ordinary shares:

– Exercise of share award	<u>–</u>	<u>16,170,993</u>
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Weighted average number of ordinary shares, for the purpose of diluted (loss) earnings per share	<u><u>6,112,500,783</u></u>	<u><u>6,024,966,783</u></u>
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	<i>HK cents</i>	<i>HK cents</i>
Basic (loss) earnings per share	<u><u>(51.46)</u></u>	<u><u>46.92</u></u>
Diluted (loss) earnings per share	<u><u>(51.46)</u></u>	<u><u>46.80</u></u>

Note:

The computation of diluted loss per share for the year ended 31 December 2021 did not assume the exercise of certain share option and the issue of certain shares under the share award scheme since their assumed exercise and issue during the year would have an anti-dilutive effect on the basic loss per share amount presented.

Diluted earnings per share for the year ended 31 December 2020 was calculated by adjusting the weighted average number of ordinary shares in issue during the year with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares under the share award scheme. Diluted earnings per share for the year ended 31 December 2020 did not assume the exercise of share option since their assumed exercise during the year would have an anti-dilutive effect on the basic earnings per share amount presented.

11. INVESTMENT PROPERTY

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At fair value		
Additions – Acquisition of a subsidiary	109,971	–
Changes in fair value recognised in profit or loss	<u>(7,221)</u>	<u>–</u>
At the end of the reporting period	<u>102,750</u>	<u>–</u>
Unrealised loss on investment property revaluation included in other net gains	<u>(7,221)</u>	<u>–</u>

At the end of the reporting period, the investment property of HK\$102,750,000 located in Hong Kong is held with the remaining lease term of 105 years.

The property interests in investment properties thereon (including the whole or part of undivided share in the underlying land) in Hong Kong is held by the Group as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront. Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to the rateable values, for example, there are no ongoing payments to be made under the terms of the land lease.

The fair value of investment property is determined by adopting the direct comparison method based on price information of comparable properties and adjusted to reflect the locations of the subject property.

No investment property was pledged at 31 December 2021.

Leasing arrangement – as licensor

The Group's investment property interests held under leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The Group granted a licence to the licensee to use the investment property for residential use for a licence period of 3 months. The licence does not include purchase or termination options. The details of the licence income from investment property are set out in note 4.

The investment property is subjected to residual value risk. The licence agreement, as a result, includes a provision on residual value guarantee based on which the Group has the right to charge the licensee for any damage to the investment property at the end of the licence period.

The undiscounted licence fees to be received from investment property within one year as at the end of the reporting period amount to HK\$400,000.

12. RIGHT-OF-USE ASSETS

	Buildings <i>HK\$'000</i>
Reconciliation of carrying amount – year ended 31 December 2020	
At beginning of the reporting period	16,715
Additions	6,070
Reassessment of lease liabilities	(1,608)
Depreciation	<u>(11,277)</u>
At the end of the reporting period	<u><u>9,900</u></u>
Reconciliation of carrying amount – year ended 31 December 2021	
At beginning of the reporting period	9,900
Additions	9,318
Depreciation	<u>(8,664)</u>
At the end of the reporting period	<u><u>10,554</u></u>
At 31 December 2020	
Cost	18,637
Accumulated depreciation	<u>(8,737)</u>
Net carrying amount	<u><u>9,900</u></u>
At 31 December 2021	
Cost	27,955
Accumulated depreciation	<u>(17,401)</u>
Net carrying amount	<u><u>10,554</u></u>

The Group leases various premises for its daily operations. Lease terms are 2 years with no renewal or termination option.

The Group has recognised the following amounts for the year:

	2021	2020
	HK\$'000	HK\$'000
Lease payments:		
Short-term leases	<u>200</u>	<u>2,276</u>
Expenses recognised in profit or loss	<u>200</u>	<u>2,276</u>
Lease payments on lease liabilities	<u>9,050</u>	<u>11,764</u>
Total cash outflow for leases	<u>9,250</u>	<u>14,040</u>

Commitments under leases

At 31 December 2021, the Group had no commitment for any short-term leases (2020: committed approximately HK\$350,000 for short-term leases).

13. DESIGNATED FVOCI

	2021	2020
<i>Note</i>	HK\$'000	HK\$'000
Equity securities - listed		
Listed in Hong Kong	2,709,569	3,114,571
Listed in the United States	<u>24,589</u>	<u>22,861</u>
	2,734,158	3,137,432
Equity securities - unlisted	<u>47,841</u>	<u>133,754</u>
<i>(a)</i>	<u>2,781,999</u>	<u>3,271,186</u>

Note:

- (a) At the date of initial recognition, the Group irrevocably designated certain investments in equity securities as Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term for strategic purposes. The Group considers the accounting treatments under this classification provide more relevant information for those investments.

During the year ended 31 December 2021, the net unrealised fair value loss on Designated FVOCI of approximately HK\$1,061,279,000 (2020: net unrealised fair value gain of approximately HK\$615,646,000) was recognised in other comprehensive income.

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.

During the year ended 31 December 2021, Designated FVOCI with fair value of approximately HK\$456,491,000 (2020: HK\$1,269,485,000) was disposed which is in line with the Group's inherent investment strategy. The cumulative loss of approximately HK\$261,963,000 (2020: cumulative loss of approximately HK\$357,938,000) that was previously included in the investment revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2021.

Included in the disposal of Designated FVOCI during the year ended 31 December 2021, the amount included the disposal of 青驩投資管理有限公司 (Qingzhui Investment Management Limited Company*, "**Qingzhui Investment**"), unlisted equity securities issued by a private entity, with fair value of approximately of HK\$20,191,000 at the date of disposal which is determined by the management based on the market comparable approach. On 23 September 2021, the Group entered into sale and purchase agreements with the majority shareholder of Qingzhui Investment to dispose its 18.75% of equity interests in Qingzhui Investment at a consideration of HK\$41,053,000 which was settled by cash. The disposal was completed on 23 September 2021. Upon completion of the disposal, the Group no longer has any equity interests in Qingzhui Investment. The transactions resulted in a gain on disposal of approximately HK\$20,862,000 which was calculated based on the difference between fair value of Qingzhui Investment at the date of derecognition and the consideration received and has been credited to profit or loss during the year ended 31 December 2021. The accumulated fair value loss of approximately HK\$19,172,000 in respect of the 18.75% equity interests in Qingzhui Investment which was previously included in the investment revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2021.

* *English translation for identification purpose only.*

14. INTERESTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Unlisted shares		
Shares of net assets	<u>50,736</u>	<u>–</u>

Details of the associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group		Principal activities
				%		
				2021	2020	
Eternal Billion Holding Group Limited (“Eternal”)	BVI	Hong Kong	Ordinary	25	25	Investment holding, investment advisory and management services
Hope Capital Limited (“Hope Capital”) (Note b)	BVI	Hong Kong	Ordinary	30	–	Investment holding, securities brokerage and investment advisory

Notes:

- (a) On 12 March 2021, the Group entered into a settlement agreement with an independent third party borrower, to settle the borrower’s outstanding balances of HK\$215,925,000 due to the Group. The borrower agreed to settle the outstanding loan payable and margin payable by cash of HK\$60,000,000 and 315,000,000 shares of Blue River Holdings Limited (“**Blue River**”), a listed company on the Stock Exchange, which is held under the borrower’s margin account in a subsidiary of the Group. The settlement was completed on the same date. Upon completion of the settlement, the Group owned 28.53% equity interests in Blue River and Blue River had become an associate of the Group. In the opinion of the Directors, the assets and relevant share of results of interest in Blue River is allocated to tactical and/or strategical investments segment.

The Directors engaged a professional valuer to provide assistance in determining the fair values of the identifiable net tangible assets and intangible assets (if any) of Blue River in accordance with HKFRS 13. The fair value of the identifiable assets and liabilities of 28.53% equity interests in Blue River as at the date of completion amounted to approximately HK\$1,217,653,000, which resulted in a gain on bargain purchase of approximately HK\$1,061,728,000 and was recognised in the profit or loss for the year ended 31 December 2021.

On 30 December 2021, the Group entered into a sales and purchase agreement with an independent third party to dispose all 315,000,000 shares of Blue River at a consideration of HK\$160,000,000 due to the loss making of Blue River and the Directors are not optimistic on the prospect of Blue River. The consideration was settled by cash of HK\$16,000,000 and a zero-coupon three-month promissory note with principal amount of HK\$144,000,000 which approximated its fair value. The disposal was completed on the same date. Upon completion of the transaction, the Group no longer has any equity interests in Blue River.

The share of net assets of Blue River as at the date of disposal amounted to approximately HK\$934,006,000, which resulted in a loss on disposal of approximately HK\$774,006,000 recognised in the profit or loss for the year ended 31 December 2021.

The net gain from the acquisition and disposal of an associate during the year amounted to approximately HK\$287,722,000.

- (b) On 1 November 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 30% of equity interests in Hope Capital at a cash consideration of HK\$48,000,000. The acquisition was completed on the same date. The fair value of the identifiable assets and liabilities of 30% equity interests in Hope Capital at the date of completion amounted to approximately HK\$50,482,000, which resulted in a gain on bargain purchase of approximately HK\$2,482,000 recognised in the profit or loss for the year ended 31 December 2021.

Fair value of investments

At the end of the reporting period, the Group's associates are private companies and there were no quoted market price available for the investments.

15. INTANGIBLE ASSETS

	Trading rights <i>HK\$'000</i> <i>(Note a)</i>	Club membership <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reconciliation of carrying amount - year ended 31 December 2020			
At the beginning of the reporting period	3,908	–	3,908
Additions	–	5,000	5,000
Amortisation	–	(42)	(42)
	<u>3,908</u>	<u>4,958</u>	<u>8,866</u>
At the end of the reporting period	<u>3,908</u>	<u>4,958</u>	<u>8,866</u>
Reconciliation of carrying amount – year ended 31 December 2021			
At the beginning of the reporting period	3,908	4,958	8,866
Additions – Transferred from deposits included in “trade, loan and other receivables”	1,500	–	1,500
Amortisation	–	(500)	(500)
	<u>5,408</u>	<u>4,458</u>	<u>9,866</u>
At the end of the reporting period	<u>5,408</u>	<u>4,458</u>	<u>9,866</u>
At 31 December 2020			
Cost	3,908	5,000	8,908
Accumulated amortisation and impairment losses	–	(42)	(42)
	<u>3,908</u>	<u>4,958</u>	<u>8,866</u>
At 31 December 2021			
Cost	5,408	5,000	10,408
Accumulated amortisation and impairment losses	–	(542)	(542)
	<u>5,408</u>	<u>4,458</u>	<u>9,866</u>

Note:

- (a) Trading rights that confer eligibility on the Group to trade on the Stock Exchange and Hong Kong Futures Exchange Limited. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

16. TRADE, LOAN AND OTHER RECEIVABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables			
Trade receivables arising from the business of securities brokerage			
– cash clients		99	93
– margin clients	<i>(b)</i>	440,457	552,121
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	<i>19(b)</i>	<u>–</u>	<u>9,526</u>
	<i>(a)</i>	<u>440,556</u>	<u>561,740</u>
Trade receivable arising from the provision of corporate finance advisory services			
		<u>310</u>	<u>320</u>
		<u>440,866</u>	<u>562,060</u>
Loan receivables			
Loan and interest receivables from independent third parties			
		1,027,435	1,297,944
Less: Loss allowance		<u>(49,034)</u>	<u>(43,423)</u>
	<i>(c)</i>	978,401	1,254,521
Less: Non-current portion		<u>(12,405)</u>	<u>(55,926)</u>
Current portion		<u>965,996</u>	<u>1,198,595</u>
Other receivables			
Deposits with securities brokers	<i>(d)</i>	1,781	9,555
Consideration receivable from disposal of unlisted Designated FVOCI		–	9,442
Other receivables, deposits and prepayments		38,424	23,033
Less: Loss allowance		<u>(20,000)</u>	<u>–</u>
		<u>20,205</u>	<u>42,030</u>
	<i>(e)</i>	<u>1,427,067</u>	<u>1,802,685</u>

Notes:

- (a) No aging analysis by invoice date is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of brokerage business. The Group offsets certain trade receivables and trade payables when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously.
- (b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (2020: 8% to 30%) per annum for the year ended 31 December 2021. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$2,153,150,000 (2020: approximately HK\$1,758,248,000). The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. During the years ended 31 December 2021 and 2020, no margin loans were granted to the Directors or directors of subsidiaries.
- (c) As at 31 December 2021, the Group's net loan receivables included both fixed and variable rate loan advances to independent third parties of which approximately HK\$129,988,000 (2020: approximately HK\$788,779,000) were secured by the pledge of certain collaterals and personal guarantees, bearing interest ranging from 5% to 15% (2020: 3% to 24%) per annum and had contractual loan period between 18 months and 7 years (2020: between 6 months and 30 years) under the Group's credit and lending services. The remaining balance included both fixed and variable rate loan advances to independent third parties of which approximately HK\$848,413,000 (2020: HK\$465,742,000) were unsecured, bearing interest ranging from 3% to 36% (2020: 5% to 36%) per annum. The contractual loan period for majority of the unsecured loan receivables from third parties is between 6 months and 5 years (2020: between 6 months and 5 years).

Aging analysis

Aging analysis of loan receivables (net of loss allowance) prepared based on loan commencement date set out in the relevant contracts is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 1 month	353,249	240,981
1 to 3 months	78,625	94,034
4 to 6 months	34,097	438,181
7 to 12 months	327,858	212,153
Over 12 months	184,572	269,172
	<u>978,401</u>	<u>1,254,521</u>
At the end of the reporting period	<u>978,401</u>	<u>1,254,521</u>

Aging analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not yet past due	913,911	1,254,521
7 to 12 months past due	64,490	–
	<u>978,401</u>	<u>1,254,521</u>
At the end of the reporting period	<u>978,401</u>	<u>1,254,521</u>

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their background, and financial position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. During the year ended 31 December 2021, net impairment loss of approximately HK\$7,941,000 (2020: approximately HK\$76,907,000) was recognised for the loan receivables.

As at 31 December 2021, the Group recognised a loss allowance of approximately HK\$49,034,000 (2020: approximately HK\$43,423,000) on its loan receivables. The movement in the loss allowance for loan receivables during the year is summarised below.

	2021			
	12-month ECL	Lifetime ECL		Total HK\$'000
	Performing HK\$'000	Under- performing HK\$'000	Not performing HK\$'000	
At the beginning of the reporting period	18,442	18,872	6,109	43,423
Increase in allowance	9,071	25,410	–	34,481
Reversal of allowance upon recovery of loan	(13,131)	(13,409)	–	(26,540)
Written off	–	(701)	(1,629)	(2,330)
At the end of the reporting period	<u>14,382</u>	<u>30,172</u>	<u>4,480</u>	<u>49,034</u>
	2020			
	12-month ECL	Lifetime ECL		Total HK\$'000
	Performing HK\$'000	Under- performing HK\$'000	Not performing HK\$'000	
At the beginning of the reporting period	6,829	93,973	1,574	102,376
Increase in allowance	24,005	60,759	12,761	97,525
Reversal of allowance upon recovery of loan	(12,392)	–	(8,226)	(20,618)
Written off upon disposal	–	(135,860)	–	(135,860)
At the end of the reporting period	<u>18,442</u>	<u>18,872</u>	<u>6,109</u>	<u>43,423</u>

During the year ended 31 December 2021, two of the loans had a significant increase in credit risk and were classified as Under-Performing for which the Lifetime ECL was recognised. The significant increase in credit risk was due to the deterioration of the personal liquidity position or financial performance of these borrowers. As at 31 December 2021, a loss allowance of HK\$17,149,000 was made for these borrowers.

The management closely monitors the credit quality of the loans and there are no indications that the loan receivables neither past due nor impaired will be uncollectible.

- (d) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.
- (e) The trade, loan and other receivables are expected to be recovered within one year, except for the deposits of approximately HK\$13,436,000 (2020: approximately HK\$17,963,000).

17. PROMISSORY NOTE RECEIVABLE

As at 31 December 2021, the amount represented a zero-coupon promissory note at principal amount of HK\$144,000,000 maturing on 31 March 2022 received as part of the consideration of disposal of an associate as set out in the note 14(a). The amount was early settled after the end of the reporting period.

As at 31 December 2020, the amount represented a zero-coupon promissory note at principal amount of HK\$200,000,000 maturing on 30 June 2021. During the year ended 31 December 2021, the promissory note of HK\$200,000,000 was settled and the Group recognised imputed interest of approximately HK\$7,854,000 (2020: HK\$721,000) in other income.

18. FINANCIAL ASSETS AT FVPL

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Mandatorily measured at FVPL			
– Listed shares in Hong Kong		496,498	4,330,031
– Listed shares in the United States		2,546	3,235
– Unlisted investment funds	(a)	123,260	350,724
– Financial assets arising from a financing arrangement	(b)	105,438	–
		727,742	4,683,990
Analysed as:			
Non-current		2,497	270,827
Current		725,245	4,413,163
		727,742	4,683,990

Notes:

- (a) The unlisted investment funds are mainly subscribed from independent financial institutions. The portfolios of these funds mainly comprise securities listed in Hong Kong and overseas and unlisted debt and equity securities in Asia-Pacific region. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment, except for certain unlisted investment funds which was held for long-term investment.

During the year ended 31 December 2021, the unlisted investment funds held for long-term investment at carrying amount of HK\$262,702,000 was redeemed at a consideration of HK\$152,540,000, which resulted in realised loss on redemption of investment of approximately HK\$110,162,000 recognised in other net gains.

- (b) The amount represented the consideration of HK\$110,000,000 paid to an independent third party (“**Vendor**”) to acquire the entire interest of Siston Holdings Limited and its wholly owned subsidiary, High Step Investment Limited (together the “**Siston Group**”) on 31 August 2021. The principal activity of Siston Group is property investment.

On 1 September 2021, the Group further signed a licence agreement with the Vendor to grant a licence to the Vendor to use the property for residential use only for a licence period of six months at a monthly payment of ranging from HK\$916,000 to HK\$920,000. On the same date, a call option agreement was signed between the Group and the Vendor for granting the Vendor a right to repurchase the entire interest of the Siston Group at the original consideration of HK\$110,000,000 within one month after the expiry of licence agreement.

The transfer of assets with the above arrangement does not satisfy the requirement of HKFRS 15 to be accounted for as a sale and purchase of assets and the relevant financial assets is accounted for under financial assets at FVPL. The fair value of the financial asset is determined based on valuation carried out by independent qualified professional valuer at the end of reporting period.

During the year ended 31 December 2021, licence fee of HK\$3,664,000 was classified as interest income from financial asset at FVPL.

19. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables			
Trade payables arising from the business of securities brokerage			
– cash clients	<i>(a)</i>	483	510
– margin clients	<i>(a)</i>	22,077	8,172
– HKSCC	<i>(b)</i>	42,927	–
		<hr/>	<hr/>
	<i>16(a)</i>	65,487	8,682
Secured margin loans from securities brokers	<i>(c)</i>	225,382	273,285
		<hr/>	<hr/>
		290,869	281,967
Other payables			
Other payables and accrued charges			
		18,716	23,514
		<hr/>	<hr/>
		309,585	305,481
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Trade payables to cash and margin clients are repayable on demand. In the opinion of the Directors, no aging analysis is disclosed as the aging analysis does not give additional value.
- (b) The settlement terms of trade receivables and payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of brokerage business.
- (c) For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at a range from 1.87% to 12% per annum (2020: 1.56% to 12% per annum). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK\$1,420,924,000 (2020: approximately HK\$4,789,885,000) as at 31 December 2021.

20. LEASE LIABILITIES

As at 31 December 2021, the weighted average discount rate applied was 5.75% (2020: 4.05%) per annum.

Commitments and present value of lease liabilities:

	Minimum lease payments 2021 HK\$'000	Present value of minimum lease payments 2021 HK\$'000
Amounts payable:		
Within one year	7,053	6,623
In the second to fifth years inclusive	4,139	4,023
	<u>11,192</u>	<u>10,646</u>
Less: future finance charges	(546)	–
Total lease liabilities	<u>10,646</u>	<u>10,646</u>

	Minimum lease payments 2020 HK\$'000	Present value of minimum lease payments 2020 HK\$'000
Amounts payable:		
Within one year	8,221	7,997
In the second to fifth years inclusive	2,086	2,062
	<u>10,307</u>	<u>10,059</u>
Less: future finance charges	(248)	–
Total lease liabilities	<u>10,059</u>	<u>10,059</u>

21. LOAN PAYABLE

	2021 HK\$'000	2020 HK\$'000
Unsecured borrowing		
– Other loan	246,568	235,068
	<u>246,568</u>	<u>235,068</u>

Note:

The above loan from an independent third party as at 31 December 2021 is unsecured, bearing interest at 5% (2020: 5%) per annum and repayable within 1 years (2020: 2 years) at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in, investment holdings, tactical and/or strategic investments (including property investments), and the provision of financial services including the Securities and Futures Commission (the “SFC”) regulated activities namely Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management); and provision of credit and lending services regulated under the Money Lenders Ordinance.

A. Financial Services (SFC Type 1, 2, 4, 6 and 9 Regulated Activities)

The Group, through its wholly owned subsidiary Oshidori Securities Limited (“OSL”), engages in securities brokerage and financial services business. OSL holds a Stock Exchange Trading Right and is licensed by the SFC to conduct regulated activities including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management). OSL is also an exchange participant of the Stock Exchange that offers its clients a platform to trade eligible stocks listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange through the trading facilities of the Stock Exchange as a China Connect Exchange Participant and China Connect Clearing Participant. OSL is also an exchange participant of Hong Kong Futures Exchange Limited and HKFE Clearing Corporation Limited.

The Group also provides corporate finance advisory through its wholly owned subsidiary Oshidori Corporate Finance Limited (“OCFL”), which is licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity. OCFL was appointed by several listed companies as their corporate financial advisor on their respective corporate activities in relation to compliance with the Listing Rules.

(i) ***Securities Brokerage Services and Margin Financing Services***

Brokerage commission income generated from securities brokerage services decreased 29.2% from HK\$2.4 million for the year ended 31 December 2020 (the “**Previous Year**”) to HK\$1.7 million for the year ended 31 December 2021 (the “**Year**”). Interest income generated from provision of margin financing services decreased 32.3% from HK\$37.1 million for the Previous Year to HK\$25.1 million for the Year.

The Group will continue to balance risk and return, and maintain a cautious approach to the credit control of its margin financing business.

(ii) ***Placing and Underwriting Services***

The Group, through OSL, completed five underwriting projects during the Year. During the Year, OSL acted as a sub-underwriter for equity fund raising activities conducted by listed companies on the Stock Exchange, with a total underwriting commitment of HK\$461.6 million. These projects generated an underwriting commission of HK\$2.7 million for the Group for the Year, compared to approximately HK\$0.7 million for the Previous Year.

The Group has maintained a cautious approach before committing to underwriting and placing services at times of market turbulence.

(iii) ***Corporate Finance Advisory***

OCFL was appointed by several listed companies, to provide corporate finance advisory services. The income generated from corporate finance advisory increased 366.7% from HK\$0.3 million for the Previous Year to HK\$1.4 million for the Year. The Group’s business network has facilitated the growth of this business unit.

(iv) *Asset management*

The Group currently offers a discretionary investment management service for clients who wish to diversify their investments with a customized solution.

The Group has been working on building its client network and forming strong relationships with clients and is focused on building its reputation and presence to attract various types of customers.

The Group is also reviewing the possibilities of offering fund investment services to clients looking for investments other than equities. The ability to offer a portfolio of investment products could appeal to clients wanting to diversify across different asset classes as well as different regions for their investment needs.

B. *Credit and Lending Services*

The Company, through its wholly owned subsidiaries namely Oshidori WW Resources Limited (“**OWWRL**”) and Oshidori Citizens Money Lending Corporation Limited (“**OCMLCL**”), conducts credit and lending business under the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong.

The Group maintains readily available funds and equips itself with sufficient lending capacities for capturing potential business opportunities. The Group’s credit and lending business has a unique business model with emphasis on the provision of sizeable loans to both corporate and individual clients with good financial standing and low credit risk. The Group targets a niche market comprising of high profile borrowers.

Interest income from loan receivables decreased 37.3% from HK\$105.0 million for the Previous Year to HK\$65.8 million for the Year.

The Group will continue to leverage its existing network, business presence and reputation in this market to organically grow the credit and lending business.

C. *Tactical and/or Strategic Investments*

The Group engages in tactical and/or strategic investments of a diversified portfolio overseen by a professional investment team that holds Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 9 (asset management) licences under the SFO. In the second half of 2021, the Group has diversified its business activities to include property investments. Revenue from this new venture amounted to HK\$3.86 million for the Year.

Despite the adversity of the COVID-19 pandemic, the property market remained robust with less volatility as compared to commodities, equities and debts markets. Overall property prices in the Asia Pacific remained strong with the support of government fiscal stimuli packages that boosted investor confidence in the property market. For Hong Kong, the recently announced measures of the Hong Kong fiscal budget by the Financial Secretary on the relaxation of the cap on the value of a property eligible for mortgage loan has sparked interests in property investors and homeowners for the residential market. The maximum property value eligible for mortgage loans up to 80% loan-to-value (LTV) ratio was amended to HK\$12 million and the maximum property value eligible for mortgage loans up to 90% LTV ratio applicable to first-time homebuyers was amended to HK\$10 million.

The Group anticipates that investors will continue to redistribute their capital towards the property market as a more defensive investment strategy amid the persistent pandemic. The Group is confident that property investment is a prudent choice and will help the Group generate a stable and secure revenue as the property market continues to recover and leasing demand strengthens in the upcoming financial year.

Vision

The Group's vision is to implement its corporate strategy through building a successful portfolio of investments that is resilient, sound and of value to the shareholders of the Company.

Investment Strategy

The Group strives to achieve excellent results and performance through the Group's tactical and/or strategic investments segments; creating value through investment selection and disposal, and demonstrates resilience in adverse market conditions. The Group has formulated a criteria to identify appropriate investments, established the basis for evaluation, and categorized such investments to reflect their significance and contribution to the Group. The holding size and holding periods are mainly dependent upon the reasons for the acquisition, the strategic value of the investments, and the potential returns. The Group may consider realizing certain investments based on the internal resources' requirements, the increase/decrease in valuations that trigger the threshold for disposal, and the availability of alternative investment opportunities that may be superior in returns than existing holdings from time to time.

FINANCIAL REVIEW

The Group recorded a negative revenue of HK\$3,101.9 million for the Year as compared with the positive revenue of HK\$280.5 million for the Previous Year. The Group recorded a net loss of HK\$3,145.7 million for the Year, a decrease from a net profit of HK\$2,819.5 million for the Previous Period. Basic and diluted loss per share for the Year were HK cents 51.46 and HK cents 51.46 respectively, as compared to basic and diluted earnings per share for the Previous Year of HK cents 46.92 and HK cents 46.80 respectively.

The loss was mainly attributable to a realised loss on financial assets at fair value through profit or loss.

The Group's total asset value was HK\$6,309.0 million as at 31 December 2021 (2020: HK\$10,902.5 million). The net asset value of the Group was HK\$5,740.8 million as at 31 December 2021 (2020: HK\$9,937.2 million). Apart from financial assets being held by the Group for its tactical and/or strategic investments, the Group also holds substantive assets which mainly comprise tangible assets such as cash and bank balances and trade, loan and other receivables.

As at 31 December 2021, the Group's gearing ratio remained at a low level of 4.3% (2020: 2.4%).

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group's significant investments were as follows:

Name of significant investments	Notes	Number of shares held as at 31 Dec 2021	Percentage of shareholding held as at 31 Dec 2021 %	Unrealised loss for the year ended 31 Dec 2021 HK\$'000	Unrealised loss	Dividends received for the year ended 31 Dec 2021 HK\$'000	Approximate% to the Group's total assets as at 31 Dec 2021 %	Investment cost HK\$'000	Market value as at 31 Dec 2021 HK\$'000
					through other comprehensive income for the year ended 31 Dec 2021				
Listed shares in Hong Kong									
- Shengjing Bank Co., Ltd. (Stock code: 2066)	1	293,034,000	12.52	(1,001)	(72,700)	-	32	1,972,015	2,021,935

The performance and prospects of the Group's significant investments during the Year are detailed as follows:

1. Shengjing Bank Co., Ltd. (“Shengjing”) (Stock Code: 2066)

Shengjing and its subsidiaries principally engage in the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Banking Regulatory Commission.

In the first half of 2021, faced with complex and severe external economic environment, Shengjing focused on the strategic vision of “building a sound bank”, firmly established a work style of “professionalism, cooperation, pragmatism and efficiency”, implemented the operation and management strategy of “focus on sound operation, focus on customer-centricity, focus on value creation, and focus on capacity improvement”, continuously optimized its development performance, and maintained stable business performance.

As of 30 June 2021, the total assets of Shengjing amounted to RMB1,016,503 million, the total amount of loans and advances to customers amounted to RMB588,040 million, the total amount of deposits amounted to RMB728,963 million, the operating income amounted to RMB8,508 million and the net profit amounted to RMB1,046 million.

On 23 March 2022, Shengjing announced that the group's net profit for the twelve months ended 31 December 2021 is expected to fall by approximately 60% to 70% from the same period last year. The main reasons are due to the impact of the economic environment and the COVID-19 pandemic, some enterprises have experienced difficulties in operation and their interest repayment capacity has decreased. At the same time, in order to improve the safety of credit assets, Shengjing took the initiative to optimise the credit orientation and adjust the customer structure, resulting in a downward shift in asset return rate.

However, Shengjing will fully implement a new development concept, serve and integrate into a new development pattern, and with the support of the local government, accelerate the replenishment of capital, coordinate and take comprehensive measures to continuously optimise the business structure, steadily improve the operating results, realise the coordinated and orderly development of scale, quality and efficiency.

From a long-term perspective, Shengjing appears to have good prospects and the Company believes its investment in Shengjing has strategic investment value.

Going forward, the Group will continue to implement corporate strategies by building a successful portfolio of investments that is resilient, sound and of value to our shareholders. The Group expects that the stock market in Hong Kong and the PRC will remain challenging in 2022, as the COVID-19 pandemic continues while economies across the world are still showing signs of uncertainty. In addition, the Russia-Ukraine tensions will continue to cause disruptions to the global financial markets in the near term, as the sanctions imposed by Western countries on Russia's currency and exports will exacerbate the forthcoming inflation and natural resources prices. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate capital to meet the challenges ahead.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents was HK\$848.6 million as at 31 December 2021 (2020: HK\$683.3 million). The cash and cash equivalents and the financial assets at fair value through profit or loss in aggregate were HK\$1,576.4 million as at 31 December 2021 (2020: HK\$5,367.3 million). The liquidity of the Group was very strong with a current ratio of 5.6 as at 31 December 2021 (2020: 12.8). The Group had loan payables of HK\$246.6 million as at 31 December 2021 (2020: HK\$235.1 million) and the gearing ratio (expressed as a percentage of loan payables over total equity) maintained at a low level of 4.3% as at 31 December 2021 (2020: 2.4%).

CAPITAL STRUCTURE

During the Year, the Company has not conducted any equity fund raising activities. For the Year, the Company repurchased a total of 4,350,000 ordinary shares of the Company on the Stock Exchange, details of which are disclosed under the section headed "Purchase, Sale or Redemption of the Company's Listed Shares" in this announcement. Save for the foregoing, there was no other movement in the number of issued shares of the Company for the Year. As at 31 December 2021, the total number of issued shares of the Company was 6,109,259,139 shares with a par value of HK\$0.05 each. Based on the closing price of HK\$0.56 per share as at 31 December 2021, the market value of the Company as at 31 December 2021 was approximately HK\$3,421 million (2020: approximately HK\$3,729 million).

The consolidated net asset value per share of the Company as at 31 December 2021 was approximately HK\$0.940 (2020: approximately HK\$1.625).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

Save for certain bank balances that are denominated in Renminbi (“**RMB**”) and United States dollar (“**USD**”), most of the Group’s business transactions, assets and liabilities are denominated in Hong Kong dollar. As at 31 December 2021, the bank balances denominated in RMB and USD amounted to HK\$191.9 million and HK\$23.0 million, respectively. Therefore, the Group’s exposure to the risk of foreign exchange rate fluctuations is not material. For the Year, the Group did not have any derivatives for hedging against the foreign exchange rate risk. The Directors will continue to monitor the foreign exchange exposure and will consider appropriate action to mitigate such risk, when necessary.

CAPITAL COMMITMENTS

The Group did not have any capital commitments in respect of the acquisition of property and equipment as at 31 December 2021 (2020: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 (2020: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2021, debt and equity securities with total market value of HK\$1,420.9 million (2020: HK\$4,789.9 million) were pledged to securities brokers to secure margin financing facilities provided to the Group. As at 31 December 2021, margin loans of HK\$225.4 million (2020: HK\$273.3 million) has been drawn from the margin financing facilities.

MATERIAL TRANSACTIONS

(a) Disposal of CC Land Holdings Limited

On 18 January 2021, the Group disposed 172,000,000 ordinary shares of C C Land Holdings Limited (“**C C Land Shares**”) on the open market at an aggregate consideration of HK\$309.6 million (equivalent to the price of HK\$1.80 per C C Land Share).

(b) Acquisition and Disposal of Blue River Holdings Limited

On 12 March 2021, the Group entered into settlement agreement with an independent third party borrower, amongst others, the Group obtained the ownership of 315,000,000 shares of Blue River Holdings Limited (“**Blue River Shares**”), at the consideration of HK\$155.9 million (the “**Settlement**”). Upon completion of the Settlement on the same date, the Group held 28.53% of the total issued share capital of Blue River and Blue River had become an associate of the Group. The Settlement was completed in March 2021. Upon completion of the Settlement, the Group owned 28.53% equity interests in Blue River.

On 30 December 2021, the Group completed a sale of the Blue River Shares at a consideration of HK\$160.0 million. Upon completion of the disposal, Blue River ceased to be an associate of the Group.

(c) Disposal of China Evergrande New Energy Vehicle Group Ltd

During the period from 27 September 2021 to 30 September 2021, the Group conducted a series of on-market transactions on the Stock Exchange to dispose of an aggregate of 138,245,000 ordinary shares of China Evergrande New Energy Vehicle Group Ltd (“**Evergrande Vehicle Shares**”) in the range of an average daily price between HK\$1.87 and HK\$3.35 per Evergrande Vehicle Share at an aggregate consideration of HK\$332 million (exclusive of transaction costs and equivalent to the price of HK\$2.40 per Evergrande Vehicle Share). Upon completion, Evergrande Vehicle Shares will no longer be a significant investment of the Group.

(d) Acquisition of Shengjing

On 18 October 2021, the Group acquired a total of 100,000,000 H Shares of Shengjing (“**Shengjing H Shares**”) in the open market at the aggregate consideration of HK\$700 million (before transaction costs) (equivalent to the price of HK\$7 per Shengjing H Share). Shengjing continues to be a significant investment of the Group.

EVENTS AFTER THE YEAR

(a) Disposal of The Hongkong and Shanghai Hotels, Limited

On 11 February 2022, the Company disposed 15,426,500 shares of The Hongkong and Shanghai Hotels, Limited (“**HSH Shares**”) through an off-market block trade at an aggregate consideration of HK\$197.46 million (before transaction costs) (equivalent to the price of HK\$12.80 per HSH Share).

(b) Subscription of Future Capital Group Limited

On 17 February 2022, a wholly-owned subsidiary of the Company (“**Subscriber**”), and Future Capital Group Limited (“**Future Capital**”) entered into a subscription agreement pursuant to which Future Capital agreed to issue and the Subscriber agreed to subscribe for the 3,750 ordinary shares of Future Capital (“**Subscription Shares**”) at a consideration of HK\$750 million (equivalent to the price of HK\$200,000 per Subscription Share).

(c) Application of an SFC Licence for Type 8 Regulated Activity

In January 2022, the Group received approval-in-principle for its application of an SFC licence for Type 8 regulated activity (securities margin financing) in pursuit of attracting clients with sound financial background, particularly those with significant shareholding of a single stock but are unable to seek additional financing from banks and/or other brokers for further acquisition of securities and/or for the continuation of holding securities. The proposed new margin financing service reflects the Group’s ongoing commitment to expand its scope of business.

LITIGATION

(a) Updates on the previous disposal of shares in Shenzhen Fuhuade Electric Power Co., Ltd. (“Fuhuade”)

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the “Buyer”). The total consideration of the disposal of RMB1,037.6 million (equivalent to approximately HK\$1,247.2 million) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalised and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK\$93.1 million for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board is of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. It is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. Accordingly, the Group fully wrote down the receivable amount of HK\$255.2 million, being the amount of consideration receivable amounting to HK\$358.9 million as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK\$103.7 million, in the profit and loss account for the year ended 31 December 2013.

On 20 December 2017, the Group received a civil judgement (廣東省深圳市中級人民法院民事判決書[2014]深中法涉外初字第59號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB85.5 million (equivalent to approximately HK\$102.3 million) together with related interest of approximately RMB28.3 million (equivalent to approximately HK\$33.9 million) (before tax).

On 16 April 2019, the Group further received a civil judgement (廣東省深圳市中級人民法院民事判決書[2016]粵03民初第662號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB113.5 million (equivalent to approximately HK\$129.1 million) (before tax) together with related tax subsidies of approximately RMB29.1 million (equivalent to approximately HK\$33.0 million) (before tax).

Up to 31 December 2020, approximately RMB127.6 million (equivalent to approximately HK\$145.6 million) has been received from CNOOC Gas & Power Group for settlement of judged consideration receivables of the third instalment of approximately RMB113.5 million (equivalent to approximately HK\$129.1 million) and fuel subsidy of approximately RMB21.0 million (equivalent to approximately HK\$24.3 million) after deducting withholding tax of approximately RMB6.9 million (equivalent to approximately HK\$7.9 million).

On 2 February 2021, the Group received a civil judgement (廣東省高級人民法院民事判決書2019粵民終3034號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade. As a result, the Group received a fuel subsidy of approximately RMB12.6 million (equivalent to HK\$15.1 million) (including interest after tax) from CNOOC Gas & Power Group, completing the disposal of shares in Fuhuade.

(b) Writs of Summons issued by Allied Weli Development Limited and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the “Liquidators of Allied Weli Development Limited”)

OCFL, Win Wind Capital Limited, Win Wind Investment (Holdings) Limited, Enerchine Nominee Limited and OSL (the “**Defendant Parties**”), which as of the date hereof are wholly owned subsidiaries of the Company, have been named, inter alia, as defendants in two separate writs of summons in the High Court of Hong Kong (the “**Writs**”) by the plaintiffs, Allied Weli Development Limited (in Liquidation) and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the “**Liquidators**”) of Allied Weli Development Limited. On 2 February 2018, the Group, through its legal advisors, requested the Liquidators to (i) serve the Writs of Summons on the Defendant Parties by 20 February 2018 as required under the Rules of the High Court (Order 12, rule 8A) or (ii) to discontinue the Writs against the Defendant Parties.

On 15 February 2018, the Group received a letter from the Liquidator’s lawyers stating, inter alia, that the Liquidators may ultimately decide not to pursue a claim against the Defendant Parties at all. As at 31 December 2021, neither of the Writs has been served on the Defendant Parties and it is not apparent on the face of the Writs what the nature and value of the claims against the Defendant Parties are due to the broad and ambiguous nature of the endorsement of claims. Accordingly, no provision has been made in the consolidated financial statements for the year ended 31 December 2021. The management of the Company considers the Writs to be groundless and the Liquidator’s actions are a flagrant and calculated abuse of the law, designed solely to drag the Group’s good name and good will through the Hong Kong Courts in the hopes of profit that they will clearly not be entitled to.

(c) **Litigation between Oshidori Citizens Money Lending Corporation (“Citizens”) and Southwest Securities (HK) Brokerage Limited (“1st Defendant”), Fong Siu Wai (“2nd Defendant”) (“Defendants”)**

Citizens, a wholly-owned subsidiary of the Company, is a party to a receivership proceedings (the “**Petition**”) concerning Celebrate International Holdings (“**Celebrate**”), a company previously listed in Hong Kong with stock code 8212. 1st Defendant is a local corporation and 2nd Defendant is a former employee of 1st Defendant.

On 19 June 2020, the Defendants maliciously published a letter to the High Court which contained false and defamatory words of and concerning Citizens, a wholly-owned subsidiary of the Company, in relation to loans granted to a controlling shareholder of Celebrate. The letter alleged Citizens of unlawfully participating or providing assistance in a fraudulent and/or criminal scheme and/or a conspiracy to defraud, and creating fake loans for unlawful purposes. On 30 September 2020, Citizens served a Writ of Summons and Statement of Claim to the Defendants, suing them for libel and malicious falsehood in which the Defendants denied liability. The libel trial is currently scheduled to be heard in October 2023.

(d) **Writ of Summons and Endorsement of Claims issued against David Webb**

On 27 July 2021, the Group filed a Writ of Summons and Endorsement of Claims (the “**Writs**”) against David Webb (“**Defendant**”), an independent stock commentator, for defamatory comments contained in article he has published on his website in January 2015 entitled “The bubbles in CNN”, alleging that the Group was a member of a “Chung Nam Network” which had allegedly conspired with other listed companies to manipulate stock prices.

The Group considers the content of the article to be untrue, baseless and damaging to the Group’s reputation which has resulted in financial loss. In the Writs, amongst other things, the Group seeks an order that the Court issues an injunction order prohibiting the continued publication of the article and that the Defendant be ordered to compensate the Group for damages caused from the defamatory statements.

PROSPECTS

For 2022, the economy of Hong Kong continues to be adversely affected by the ongoing COVID-19 pandemic, together with the Russia-Ukraine conflict that causes grave disruptions and volatilities across the international financial markets including Hong Kong. Hang Seng Index plunged below 19,000 points in mid-March 2022 amid concerns on possible defaults of various Chinese property developers and looming rise in interest rates led by the United States. Despite the prevailing challenges, the Group is confident that our financial services businesses together with credit and lending services business should continue to generate positive operating cashflows, while our tactical and/or strategical investments would commit to investing in new businesses and opportunities which generates growth.

FINAL DIVIDEND

The Board does not recommend payments of any final dividend for the Year (2020: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2022 annual general meeting (“AGM”) of the Company is scheduled to be held on Monday, 13 June 2022. The notice of AGM will be published on the Company’s website at www.oshidoriinternational.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

For determining the qualification as members of the Company to attend and vote at the 2022 AGM, the Company’s register of members will be closed from Wednesday, 8 June 2022 to Monday, 13 June 2022, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 32 (2020: 37) full time employees for its principal activities. The total staff cost amounted to approximately HK\$29.2 million (2020: HK\$57.7 million). The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. Share options and awarded shares may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme and share award scheme.

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

During the Year, the Company repurchased a total of 4,350,000 ordinary shares of the Company on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$2.2 million. All the Shares repurchased were subsequently cancelled on 30 September 2021. As at 31 December 2021, the total number of issued shares of the Company was 6,109,259,139.

Particulars of the share repurchases are as follows:

Date	Number of shares repurchased	Highest purchase price (HK\$)	Lowest purchase price (HK\$)	Aggregate consideration (HK\$) (before expenses)
15 September 2021	93,000	0.52	0.50	48,240
16 September 2021	579,000	0.52	0.50	291,360
17 September 2021	588,000	0.51	0.50	299,700
20 September 2021	1,362,000	0.51	0.50	689,550
21 September 2021	312,000	0.51	0.50	156,330
23 September 2021	789,000	0.51	0.50	401,250
24 September 2021	627,000	0.51	0.50	314,190

CORPORATE GOVERNANCE

During the Year, the Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with the code provisions set out in Part 2 of Appendix 14 of the Listing Rules.

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**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2021, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises four independent non-executive directors, namely, Hon. Chan Hak Kan, Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Dr. Lo Wing Yan William. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditor to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the Year had been audited by the Company’s auditor, Messrs. Mazars CPA Limited, and had been reviewed by the Audit Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

By order of the Board
Oshidori International Holdings Limited
Wong Wan Men
Executive Director

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises the following Directors:

<i>Executive Directors:</i>	<i>Non-Executive Directors:</i>	<i>Independent Non-Executive Directors:</i>
Ms. Wong Wan Men	Mr. Alejandro Yemenidjian	Hon. Chan Hak Kan, <i>S.B.S., J.P.</i>
Mr. Wong Yat Fai	(<i>Non-Executive Chairman</i>)	Mr. Cheung Wing Ping
	Hon. Joseph Edward Schmitz	Mr. Hung Cho Sing, <i>B.B.S.</i>
	Mr. Sam Hing Cheong	Dr. Lo Wing Yan William, <i>J.P.</i>