



# 恆泰裕集團控股有限公司

HANG TAI YUE GROUP HOLDINGS LIMITED

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

**(Stock Code: 8081)**

## UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.hangtaiyue.com>.*

## UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

For the reasons explained below under the paragraph headed “Delay in publication of audited final results for the year ended 31 December 2021 and annual report for the year ended 31 December 2021”, the auditing process for the annual results of the Company and its subsidiaries (collectively, the “**Group**”) has not been completed. In the meantime, the board (the “**Board**”) of directors hereby submits the unaudited consolidated results of the Group for the year ended 31 December 2021, together with the comparative audited figures for the year ended 31 December 2020 as follows:

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

*For the year ended 31 December 2021*

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Revenue	4	1,799,501	1,050,847
Cost of sales		(1,618,739)	(940,881)
Other income and gains	4	61,912	16,990
Administrative expenses		(294,472)	(189,768)
Reversal of impairment on contract assets		–	536
Reversal of/(impairment loss) on accounts receivable, loan and interest receivables		292	(1,691)
Impairment loss on deposits and other receivables		–	(99)
Impairment loss on property, plant and equipment		–	(8,512)
Gain/(loss) on disposal of property, plant and equipment		2,844	(162)
Written off property, plant and equipment		(278)	(12,854)
Net gain on disposal of subsidiaries		76,699	–
Loss on disposal of financial assets at fair value through profit and loss (“FVTPL”)		(9,034)	–
Fair value gain/(loss) on financial assets at FVTPL		345	(2,409)
Share of results of associates		21,425	5,013
Finance costs		(28,428)	(20,068)
Profit/(loss) before tax	5	12,067	(103,058)
Income tax expense	6	(1,226)	(1,378)
Profit/(loss) for the year		10,841	(104,436)
<b>Other comprehensive income</b>			
<b><i>Item that may be reclassified subsequently to profit or loss in subsequent periods:</i></b>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		1,422	(5,276)
<b><i>Items that will not be reclassified to profit or loss:</i></b>			
Fair value (loss)/gain on financial assets at fair value through other comprehensive income (“FVTOCI”)		(37,506)	1,660
Reclassification of translation reserve upon disposal of subsidiaries		5,682	–

	<i>Note</i>	<b>2021</b> <b><i>HK\$'000</i></b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Other comprehensive income for the year, net of tax		<u><b>(30,402)</b></u>	<u>(3,616)</u>
Total comprehensive income for the year		<u><b>(19,561)</b></u>	<u>(108,052)</u>
<b>Profit/(loss) for the year attributable to:</b>			
The shareholders of the Company (“Shareholders”)		<b>55,699</b>	(72,697)
Non-controlling interests		<u><b>(44,858)</b></u>	<u>(31,739)</u>
		<u><b>10,841</b></u>	<u>(104,436)</u>
<b>Total comprehensive income for the year attributable to:</b>			
The Shareholders		<b>25,937</b>	(73,478)
Non-controlling interests		<u><b>(45,498)</b></u>	<u>(34,574)</u>
		<u><b>(19,561)</b></u>	<u>(108,052)</u>
<b>Earnings/(loss) per share</b>			
– Basic and diluted ( <i>HK cents</i> )	8	<u><b>1.04</b></u>	<u>(1.36)</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>HK\$'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	159,699	182,368
Right-of-use assets		11,898	66,688
Goodwill		13,339	–
Other intangible assets		–	272
Investments in associates		126,885	85,417
Financial assets at FVTOCI	10	6,759	13,244
Financial assets at FVTPL	12	79,456	–
Deferred tax assets		1,245	1,314
Total non-current assets		399,281	349,303
<b>CURRENT ASSETS</b>			
Inventories		6,023	7,974
Contract assets		–	133,530
Accounts receivables, loan and interest receivables	11	56,877	284,519
Prepayments, deposits and other receivables		37,301	36,241
Financial assets at FVTOCI	10	137,978	164,484
Financial assets at FVTPL	12	9,595	55,519
Pledged time deposit		–	13,000
Cash and cash equivalents		10,839	89,480
Total current assets		258,613	784,747
<b>CURRENT LIABILITIES</b>			
Contract liabilities		7,467	6,241
Trade and other payables, accruals and provision	13	114,798	449,989
Lease liabilities		3,406	27,008
Interest-bearing bank and other borrowings	14	86,827	277,205
Derivative financial liabilities		438	–
Tax payable		64,364	60,439
Total current liabilities		277,300	820,882
<b>NET CURRENT LIABILITIES</b>		<b>(18,687)</b>	<b>(36,135)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>380,594</b>	<b>313,168</b>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Other payables	13	–	4,020
Interest-bearing bank and other borrowings	14	<b>48,048</b>	2,782
Convertible loans		<b>6,584</b>	–
Lease liabilities		<b>8,151</b>	46,321
		<hr/>	<hr/>
Total non-current liabilities		<b>62,783</b>	53,123
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>317,811</b>	260,045
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>53,362</b>	53,362
Reserves		<b>269,364</b>	245,496
		<hr/>	<hr/>
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>322,726</b>	298,858
<b>NON-CONTROLLING INTERESTS</b>		<b>(4,915)</b>	(38,813)
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>317,811</b>	260,045
		<hr/>	<hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to the Shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Translation reserve*	Other reserve*	Fair value reserve of financial assets at FVTOCI (non-recycling)*	Accumulated losses*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	53,362	510,233	693,308	(11,176)	7,304	(191,615)	(689,080)	372,336	(4,239)	368,097
Loss for the year	–	–	–	–	–	–	(72,697)	(72,697)	(31,739)	(104,436)
Disposal of investments in unlisted equity securities at FVTOCI	–	–	–	–	–	14,905	(14,905)	–	–	–
Other comprehensive income for the year:										
Exchange differences related to overseas subsidiaries	–	–	–	(2,441)	–	–	–	(2,441)	(2,835)	(5,276)
Fair value gain on financial assets at FVTOCI	–	–	–	–	–	1,660	–	1,660	–	1,660
Total comprehensive income for the year	–	–	–	(2,441)	–	16,565	(87,602)	(73,478)	(34,574)	(108,052)
<b>At 31 December 2020 (audited) and 1 January 2021</b>	<b>53,362</b>	<b>510,233</b>	<b>693,308</b>	<b>(13,617)</b>	<b>7,304</b>	<b>(175,050)</b>	<b>(776,682)</b>	<b>298,858</b>	<b>(38,813)</b>	<b>260,045</b>
Profit for the year	–	–	–	–	–	–	55,699	55,699	(44,858)	10,841
Other comprehensive income for the year:										
Exchange differences related to overseas subsidiaries	–	–	–	2,062	–	–	–	2,062	(640)	1,422
Disposal of subsidiaries	–	–	–	5,682	–	–	–	5,682	–	5,682
Fair value loss on financial assets at FVTOCI	–	–	–	–	–	(37,506)	–	(37,506)	–	(37,506)
Total comprehensive income for the year	–	–	–	7,744	–	(37,506)	55,699	25,937	(45,498)	(19,561)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(5,310)	(5,310)
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	502	–	–	502	4,499	5,001
Disposal of subsidiaries	–	–	–	–	(2,571)	–	–	(2,571)	80,207	77,636
At 31 December 2021 (unaudited)	53,362	510,233	693,308	(5,873)	5,235	(212,556)	(720,983)	322,726	(4,915)	317,811

\* These reserve accounts comprise the consolidated reserves of approximately HK\$269,364,000 (2020: HK\$245,496,000) in the consolidated statement of financial position.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Hang Tai Yue Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands and was redomiciled and continued on 1 December 2015 in Bermuda with limited liability. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 9/F, HKHC Tower, No. 241-243 Nathan Road, Jordan, Kowloon, Hong Kong. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company and its subsidiaries (“**Group**”) for the current and prior accounting periods reflected in these consolidated financial statements.

#### **Material uncertainty related to going concern**

As at 31 December 2021, the Group had net current liabilities of approximately HK\$18,687,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Notwithstanding the above, these consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern.

The directors of the Company are of the opinion that the Group is able to continue as a going concern and to meet in full their financial obligations as: (i) the Group has been actively negotiating with its creditors to extend the repayment terms of its indebtedness; and (ii) continuing financial support has been provided by a substantial shareholder of the Company, who has confirmed his willingness to provide funding for financing the operations of the Group to meet its future obligations. In light of all the measures adopted and arrangements implemented, the directors of the Company are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group to remain as a commercially viable concern.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group with the above measures, the Directors have concluded that the Group is able to continue as going concern and to meet their financial obligations as and when they fall due for the next twelve months.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

#### (a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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Amendments to HKFRS 16	COVID-19 Related Rent Concessions
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The application of all new amendments to HKFRSs in the current year 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.

#### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments of HKFRSs.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 COVID-19 Related Rental Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



#### 4. REVENUE, OTHER INCOME AND GAINS AND SEGMENT REPORTING

##### (a) Revenue, other income and gains

The principal activities of the Group are (i) mobile internet cultural business and provision of IT services; (ii) provision of hospitality and related services in Australia; (iii) money lending business; and (iv) assets investments business.

Revenue represents the aggregate of the net invoiced value of goods sold and net amounts received and receivable from third parties for the services rendered by the Group during the year. An analysis of the Group's revenue, other income and gains is as follows:–

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of IT services and maintenance services	1,605,662	1,014,554
Retail commerce through network media	149,610	–
Provision of hospitality and related services	19,654	13,760
Sales of food and beverage in hotel business	17,803	20,186
	<u>1,792,729</u>	<u>1,048,500</u>
Revenue from other sources:		
Loan interest income	6,772	2,045
Dividend income arising from financial assets at FVTPL	–	302
	<u>6,772</u>	<u>2,347</u>
	<u>1,799,501</u>	<u>1,050,847</u>
Other income and gains:		
Insurance compensation	51,172	–
Bank interest income	198	2,331
Government grants	1,867	3,904
Other income	8,675	10,755
	<u>61,912</u>	<u>16,990</u>
Total revenue, other income and gains	<u>1,861,413</u>	<u>1,067,837</u>

During the year ended 31 December 2021, there was one (2020: one) customer of mobile internet cultural business and provision of IT services whose transactions amounted to approximately HK\$1,367,519,000 (2020: HK\$959,007,000), exceeding 10% of the Group's revenue, and arose in the People's Republic of China (the "PRC").

**(b) Segment reporting**

Operating segments are reported in a manner consistent with the internal report provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, as have been identified by the Directors.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- Mobile internet cultural business and provision of IT services;
- Provision of hospitality and related services in Australia;
- Money lending business; and
- Assets investments business.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.
- Assets and liabilities are allocated to the reportable segments excluding unallocated corporate assets and liabilities.
- The measure used for reporting segment profit/(loss) is adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that bank interest income, non-lease-related finance costs, dividend income from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:–

(i) *Segment results*

**Year ended 31 December 2021**

	Mobile internet cultural business and provision of IT services HK\$'000 (Unaudited)	Provision of hospitality and related services in Australia HK\$'000 (Unaudited)	Money lending business HK\$'000 (Unaudited)	Assets investments business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	1,755,272	37,457	6,772	–	1,799,501
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	1,755,272	37,457	6,772	–	1,799,501
<b>Segment results</b>					
Segment profit/(loss)	(69,286)	31,480	2,284	9,739	(25,783)
Unallocated head office and corporate income and expenses					(10,619)
Net gain on disposal of subsidiaries					76,699
Bank interest income					198
Finance costs					(28,428)
Profit before tax					12,067
Income tax expense					(1,226)
Profit for the year					10,841
<b>Amounts included in the measure of segment results:</b>					
Depreciation and amortisation	(50,774)	(5,630)	(2,424)	(179)	(59,007)
Unallocated depreciation and amortisation					(2,753)
Total depreciation and amortisation					(61,760)
Share of results of associates	–	–	–	21,425	21,425
Loss on disposal of financial assets at FVTPL	–	–	–	(9,034)	(9,034)
Fair value gain on financial assets at FVTPL	–	–	–	345	345
Written off of property, plant and equipment	–	–	(278)	–	(278)
Reversal of impairment loss on accounts receivable, loan and interest receivables	–	–	292	–	292

Year ended 31 December 2020

	Mobile internet cultural business and provision of IT services <i>HK\$'000</i> (Audited)	Provision of hospitality and related services in Australia <i>HK\$'000</i> (Audited)	Money lending business <i>HK\$'000</i> (Audited)	Assets investments business <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>Segment revenue</b>	1,014,554	33,946	2,045	302	1,050,847
<b>Inter-segment revenue</b>	–	–	–	–	–
<b>Revenue from external customers</b>	1,014,554	33,946	2,045	302	1,050,847
<b>Segment results</b>					
Segment profit/(loss)	(52,630)	(29,598)	(813)	5,157	(77,884)
Unallocated head office and corporate income and expenses					(7,437)
Bank interest income					2,331
Finance costs					(20,068)
Loss before tax					(103,058)
Income tax expense					(1,378)
Loss for the year					(104,436)
<b>Amounts included in the measure of segment results:</b>					
Depreciation and amortisation	(32,065)	(7,318)	(636)	(166)	(40,185)
Unallocated depreciation and amortisation					(1,664)
Total depreciation and amortisation					(41,849)
Share of results of associates	(118)	–	–	5,131	5,013
Fair value loss on financial assets at FVTPL	–	–	–	(2,409)	(2,409)
Impairment loss on property, plant and equipment	–	(8,512)	–	–	(8,512)
Written off of property, plant and equipment	(13)	(12,841)	–	–	(12,854)
Write-down of inventories	–	(171)	–	–	(171)
Reversal of provision for litigations	–	–	–	2,777	2,777
Reversal of impairment on contract assets	536	–	–	–	536
Impairment loss on accounts receivable, loan and interest receivables	(817)	–	(874)	–	(1,691)
Impairment loss on deposits and other receivables	(99)	–	–	–	(99)

(ii) *Segment assets and liabilities*

**31 December 2021**

	Mobile internet cultural business and provision of IT services <i>HK\$'000</i> (Unaudited)	Provision of hospitality and related services in Australia <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Assets investments business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
SEGMENT ASSETS	28,534	171,111	61,098	358,929	619,672
Corporate and other unallocated assets					38,222
Total assets					657,894
SEGMENT LIABILITIES	16,654	70,594	5,785	183,380	276,413
Corporate and other unallocated liabilities					63,670
Total liabilities					340,083
<b>Amounts included in the measure of segment assets:</b>					
Investments in associates	–	–	–	126,885	126,885
<b>Amounts regularly provided to the chief operating decision maker:</b>					
Additions to property, plant and equipment	30,053	47,403	5,015	–	82,471
Unallocated additions to property, plant and equipment					5,903
Total additions to property, plant and equipment					88,374
Additions to right-of-use assets	33,565	–	6,909	183	40,657
Unallocated additions to right-of-use assets					14,565
Total additions to right-of-use assets					55,222

31 December 2020

	Mobile internet cultural business and provision of IT services <i>HK\$'000</i> (Audited)	Provision of hospitality and related services in Australia <i>HK\$'000</i> (Audited)	Money lending business <i>HK\$'000</i> (Audited)	Assets investments business <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
SEGMENT ASSETS	503,645	160,279	113,165	300,466	1,077,555
Corporate and other unallocated assets					56,495
Total assets					1,134,050
SEGMENT LIABILITIES	554,135	90,150	343	197,118	841,746
Corporate and other unallocated liabilities					32,259
Total liabilities					874,005
<b>Amounts included in the measure of segment assets:</b>					
Investments in associates	–	–	–	85,417	85,417
<b>Amounts regularly provided to the chief operating decision maker:</b>					
Additions to property, plant and equipment	31,034	656	–	–	31,690
Unallocated additions to property, plant and equipment					231
Total additions to property, plant and equipment					31,921
Additions to right-of-use assets	51,309	–	–	177	51,486

(iii) *Geographical information*

The Group's operations are mainly located in Hong Kong, the PRC, Indonesia and Australia. The following table sets out information about (i) the Group's revenue from external customers; and (ii) the geographical locations of the Group's non-current assets (excluding financial assets at FVTOCI, financial assets at FVTPL and deferred tax assets) ("**Specified Non-current Assets**"), based on the place of domicile of the relevant group entity.

	Revenue from external customers		Specified Non-current Assets	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Hong Kong	6,772	3,299	156,919	91,645
The PRC	1,605,662	1,013,602	–	108,021
Australia	37,457	33,946	148,886	135,079
Indonesia	149,610	–	6,016	–
	1,799,501	1,050,847	311,821	334,745

## 5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):–

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Cost of sales		
– Cost of inventories sold*	153,333	5,466
– Cost of services provided**	1,465,406	935,415
	1,618,739	940,881
Auditor's remuneration		
– audit services	1,407	1,048
– other services	366	442
	1,773	1,490
Depreciation of property, plant and equipment (note 9)	25,204	17,026
Depreciation of right-of-use assets	36,292	24,336
Amortisation of other intangible assets	264	487
	61,760	41,849
Directors' remuneration	2,281	2,185
Staff costs, excluding directors' emoluments#		
Other staff salaries and benefits**	1,331,513	921,607
Retirement scheme contributions**	170,104	41,465
	1,501,617	963,072
Net exchange loss/(gain)	2,701	(6,525)
Reversal of provision for litigations	–	(2,777)
Impairment loss on property, plant and equipment (note 9)	–	8,512
Reversal of impairment on contract assets	–	(536)
(Reversal of)/impairment loss on accounts receivable, loan and interest receivables	(292)	1,691
Impairment loss on deposits and other receivables	–	99
(Gain)/loss on disposal of property, plant and equipment	(2,844)	162
Written off property, plant and equipment	278	12,854
Loss on disposal of financial assets at FVTPL	9,034	–
Fair value (gain)/loss on financial assets in FVTPL	(345)	2,409
Net gain on disposal of subsidiaries	(76,699)	–

\* Cost of inventories sold for the year ended 31 December 2020 included a write-down of inventories of approximately HK\$171,000.

\*\* The amounts included salaries and benefits of technical staff of approximately HK\$1,200,731,000 (2020: HK\$827,608,000) and their corresponding retirement scheme contributions of approximately HK\$146,270,000 (2020: HK\$25,263,000) which are included in the amounts disclosed separately.

# For the year ended 31 December 2020, COVID-19 related government grants/assistance amounting to approximately HK\$730,000 have been offset against staff costs.

## 6. INCOME TAX EXPENSE

The income tax expense represents the sum of the current tax and deferred tax and is made up as follows:–

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Current tax:		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	–	–
– Australia Company Tax	1,226	–
– Indonesia Corporate Income Tax	–	–
	<u>1,226</u>	<u>–</u>
Over-provision in previous years:		
– Hong Kong Profits Tax	–	(44)
– PRC Enterprise Income Tax	–	–
– Australia Company Tax	–	–
	<u>–</u>	<u>(44)</u>
Deferred tax:		
Charged for the year	–	1,422
Income tax expense	<u><u>1,226</u></u>	<u><u>1,378</u></u>

Hong Kong Profits Tax is provided at 16.5% (2020: 16.5%) on the estimated assessable income for the Group's entities operated in Hong Kong. The Company's subsidiaries operating in the PRC, Australia and Indonesia are subject to the tax rates at 15% or 25% (2020: 15% or 25%) in the PRC, 30% (2020: 30%) in Australia and 22% (2020: N/A) in Indonesia, respectively. No Hong Kong Profits Tax, PRC Enterprise Income Tax and Indonesia Corporate Income Tax have been provided as the Group did not generate any assessable profits in Hong Kong, the PRC and Indonesia during the years ended 31 December 2021 and 2020.

## 7. DIVIDENDS

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



## 8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the Shareholders is based on the following data:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Profit/(loss):</b>		
Profit/(loss) for the year attributable to the Shareholders	<u>55,699</u>	<u>(72,697)</u>
	2021	2020
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings/(loss) per share	<u>5,336,235,108</u>	<u>5,336,235,108</u>

No adjustment has been made to the amount of the basic earnings/(loss) per share for the years ended 31 December 2021 and 2020 in respect of any dilution because there was no potentially dilutive ordinary share in issue during the years ended 31 December 2021 and 2020.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Office and other equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles and yachts <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:								
At 1 January 2021 (audited)	18,581	139,087	29,778	21,844	27,367	7,504	8,299	252,460
Additions	–	–	58,788	989	23,660	4,937	–	88,374
Acquisition of subsidiaries	–	–	1,638	–	1,392	–	105	3,135
Disposals	(5,401)	(40,436)	(3,572)	(5,570)	(565)	(332)	(256)	(56,132)
Written off	–	–	(598)	–	–	(69)	–	(667)
Disposal of subsidiaries	–	–	(29,186)	–	(48,423)	(10,117)	(7,105)	(94,831)
Exchange realignment	(834)	(6,238)	(685)	(1,024)	841	195	(56)	(7,801)
<b>At 31 December 2021 (unaudited)</b>	<b>12,346</b>	<b>92,413</b>	<b>56,163</b>	<b>16,239</b>	<b>4,272</b>	<b>2,118</b>	<b>987</b>	<b>184,538</b>
Accumulated depreciation and impairment:								
At 1 January 2021 (audited)	–	42,809	6,491	8,334	8,929	1,001	2,528	70,092
Acquisition of subsidiaries	–	–	417	–	439	–	1	857
Charge for the year	–	2,721	6,571	2,051	12,001	1,314	546	25,204
Disposals	–	(31,016)	(651)	(2,843)	(340)	(267)	(145)	(35,262)
Written off	–	–	(328)	–	–	(61)	–	(389)
Disposal of subsidiaries	–	–	(10,707)	–	(19,931)	(1,646)	(2,163)	(34,447)
Exchange realignment	–	(1,525)	220	(414)	507	35	(39)	(1,216)
<b>At 31 December 2021 (unaudited)</b>	<b>–</b>	<b>12,989</b>	<b>2,013</b>	<b>7,128</b>	<b>1,605</b>	<b>376</b>	<b>728</b>	<b>24,839</b>
Net carrying amount:								
<b>At 31 December 2021 (unaudited)</b>	<b>12,346</b>	<b>79,424</b>	<b>54,150</b>	<b>9,111</b>	<b>2,667</b>	<b>1,742</b>	<b>259</b>	<b>159,699</b>
Cost:								
At 1 January 2020 (audited)	19,292	163,252	22,915	23,870	10,039	4,685	8,225	252,278
Additions	–	–	12,152	313	16,664	2,561	231	31,921
Disposals	(2,260)	(25,146)	(3,508)	(2,729)	(9)	–	(83)	(33,735)
Written off	–	(10,249)	(2,876)	(1,408)	(71)	–	(185)	(14,789)
Exchange realignment	1,549	11,230	1,095	1,798	744	258	111	16,785
<b>At 31 December 2020 (audited)</b>	<b>18,581</b>	<b>139,087</b>	<b>29,778</b>	<b>21,844</b>	<b>27,367</b>	<b>7,504</b>	<b>8,299</b>	<b>252,460</b>
Accumulated depreciation and impairment:								
At 1 January 2020 (audited)	–	38,920	4,731	6,938	3,214	490	1,086	55,379
Charge for the year	–	3,788	3,598	2,423	5,182	444	1,591	17,026
Impairment loss during the year ( <i>note (a)</i> )	–	8,512	–	–	–	–	–	8,512
Disposals	–	(11,149)	(2,006)	(1,255)	(8)	–	(50)	(14,468)
Written off	–	(937)	(253)	(500)	(71)	–	(174)	(1,935)
Exchange realignment	–	3,675	421	728	612	67	75	5,578
<b>At 31 December 2020 (audited)</b>	<b>–</b>	<b>42,809</b>	<b>6,491</b>	<b>8,334</b>	<b>8,929</b>	<b>1,001</b>	<b>2,528</b>	<b>70,092</b>
Net carrying amount:								
<b>At 31 December 2020 (audited)</b>	<b>18,581</b>	<b>96,278</b>	<b>23,287</b>	<b>13,510</b>	<b>18,438</b>	<b>6,503</b>	<b>5,771</b>	<b>182,368</b>

Notes:

- (a) The freehold land and the buildings represented the estate resort (the “**Estate Resorts**”) for its provision of hospitality and related services in Australia. As at 31 December 2021, the recoverable amount of the Estate Resorts assessed by an independent professional valuer by using net replacement cost approach, amounted to approximately AUD24,830,000 (equivalent to approximately HK\$140,600,000).

As at 31 December 2020, the recoverable amount of the Estate Resorts, assessed by an independent professional valuer using net replacement cost basis approach, amounted to approximately AUD19,450,000 (equivalent to approximately HK\$116,189,000).

Accordingly, an impairment loss on property, plant and equipment related to the segment of provision of hospitality and related services in Australia of approximately HK\$8,512,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020.

- (b) As at 31 December 2021, the Estate Resorts of aggregate carrying amount of approximately HK\$91,770,000 (2020: approximately HK\$114,859,000) were freehold land and buildings which were pledged for interest-bearing bank borrowings (note 14).

#### 10. FINANCIAL ASSETS AT FVTOCI

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Listed equity securities in Hong Kong	4,652	10,912
Listed equity securities in the PRC	137,978	164,484
Unlisted equity securities	2,107	2,332
	<u>144,737</u>	<u>177,728</u>

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

As at 31 December 2021, the Group’s listed equity securities in the PRC with a carrying value of HK\$137,978,000 (2020: HK\$164,484,000) represented 45,779,220 shares in LEO Group Co., Ltd (“**LEO**”) held by 迹象信息技术(上海)有限公司 (for identification purpose, Jixiang Information Technology (Shanghai) Co., Ltd (“**Jixiang**”)) (i.e. the Jixiang’s Shares as defined in note 16(d)) which were pledged for a loan granted to a subsidiary of the Company, details of which are stated in notes 14 and 16(c) to these consolidated financial statements. In addition, the Group was involved in a litigation with LEO as at 31 December 2020 and 2021 and as at the date hereof as further detailed in note 16(d) to these consolidated financial statements.

As at 31 December 2020, the Group’s unlisted equity securities represented 7% equity interest in a private company in Australia (the “**Australian Company**”). Based on the Directors’ assessment with reference to the net assets value of the Australian Company as at 31 December 2021, the fair value of the Australian Company was approximately HK\$2,107,000 (2020: HK\$2,332,000). There was no significant change in the fair value of the Australian Company during the years ended 31 December 2020 and 2021.

# 11. ACCOUNTS RECEIVABLES, LOAN AND INTEREST RECEIVABLES

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Accounts receivable within the scope of HKFRS 15	7,061	175,726
Less: Impairment	–	(1,412)
	<u>7,061</u>	<u>174,314</u>
Loan receivables	49,081	109,325
Loan interest receivables	1,127	1,764
Less: Impairment	(392)	(884)
	<u>49,816</u>	<u>110,205</u>
	<u><u>56,877</u></u>	<u><u>284,519</u></u>

## Notes:

- (a) The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with accounts receivable, credit evaluations of customers are performed periodically. The credit period given to accounts receivable ranged from 30 days to 180 days. The aging analysis of accounts receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Within 1 month	4,114	163,338
1 to 2 months	637	6,661
2 to 3 months	294	1,005
Over 3 months	2,016	3,310
	<u>7,061</u>	<u>174,314</u>

- (b) Loan and interest receivables are mainly arising from the money lending business, which are entered with contractual maturity within 12 months (2020: 6 months to 12 months). The Group seeks to maintain strict control over its loan and interest receivables in order to minimise credit risk by reviewing the borrowers' financial positions. The loan receivables are interest-bearing at rates mutually agreed between the contracting parties, at a fixed rate of 7%-12% (2020: 7%-9%) per annum. As at 31 December 2021 and 2020, all loan receivables of the Group were unsecured.

The aging analysis of loans and interest receivables as at the end of the reporting period, based on the contractual due date and net of provisions, is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Not yet past due	46,309	110,205
61-90 days past due	3,507	–
	<u>49,816</u>	<u>110,205</u>

## 12. FINANCIAL ASSETS AT FVTPL

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>	
Listed shares in Hong Kong, at fair value	(a) 6,831	38,880
Unlisted investment in PRC, at fair value	(b) –	16,639
Unlisted investment in Hong Kong at fair value	(c) 79,456	–
Derivative financial assets	(d) 2,764	–
	<u>89,051</u>	<u>55,519</u>

The above equity investments were classified as financial assets at FVTPL.

### Notes:

- (a) Listed shares in Hong Kong included in the financial assets at FVTPL were mainly investment in Town Health International Medical Group Limited (Stock Code: 3886) (“**Town Health**”) amounting to HK\$5,649,000 (2020: HK\$36,933,000) as at 31 December 2021.

Given the trading of the shares of Town Health on the Stock Exchange was suspended as at 31 December 2020, the fair value of the Group’s investment in Town Health as at 31 December 2020 was arrived at on the basis of a valuation carried out by an independent qualified professional valuer not connected to the Group, using the index return method, which is a generally accepted approach in the industry, where the last trading price of the shares of Town Health was adjusted by the return of a synthetic index. On 1 March 2021, the shares of Town Health was resumed in the trading on the Stock Exchange.

As at 31 December 2020, certain of the investment in Town Health in the amount of HK\$31,900,000 were pledged for a loan to a subsidiary (notes 14 and 16(c)).

On 3 March 2021 and 10 March 2021, the Group disposed of 4,000 shares and 81,374,000 shares in Town Health for an aggregate cash consideration (excluding transaction costs) of approximately HK\$3,000 and HK\$22,886,000, respectively, on the open market of the Stock Exchange via Southbound Trading of Shanghai-Hong Kong Stock Connect (the “**TH Disposals**”).

Details of the TH Disposals are set out in the announcement of the Company dated 10 March 2021.

- (b) The unlisted investment was wealth management product issued by bank in the PRC. It was classified as financial assets at FVTPL as their contractual cash flow are not solely payments of principal and interest. The investment was being disposed of upon the disposal of subsidiaries during the year ended 31 December 2021.
- (c) As at 31 December 2021, the Group's unlisted equity securities represented (i) 7.69% equity interest in a private company in Hong Kong ("**Heals**"); and (ii) 4.65% equity interest in a private company in Hong Kong ("**World Biotech**") which were acquired by the Group during the year ended 31 December 2021. Based on the valuation carried out by an independent qualified professional valuer not connected to the Group, using the discounted cash flow method, which is a generally accepted approach in the industry, as at 31 December 2021, the fair values of Heals and World Biotech were approximately HK\$38,996,000 (2020: N/A) and HK\$40,460,000 (2020: N/A) respectively.
- (d) The derivative financial assets represented the fair value of a put option granted by the vendor in connection with an acquisition of a subsidiary during the year ended 31 December 2021. The fair value of the put option as at 31 December 2021 was arrived at on the basis of a valuation carried out by an independent qualified professional valuer not connected to the Group, using the black scholes model.

### 13. TRADE AND OTHER PAYABLES, ACCRUALS AND PROVISION

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Trade payables	31,322	13,188
Accruals and other payables (note)	39,081	396,426
Provision for litigations	44,395	44,395
	<hr/>	<hr/>
	114,798	454,009
Less: Classified as non-current portion	–	(4,020)
	<hr/>	<hr/>
	114,798	449,989
	<hr/>	<hr/>

The following is an aging analysis of trade payables based on the invoice date of the Group as at the end of the reporting period:–

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Within 3 months	4,455	5,335
Over 3 months	26,867	7,853
	<hr/>	<hr/>
	31,322	13,188
	<hr/>	<hr/>

*Note:*

Included in other payables as at 31 December 2020 was an amount of HK\$22,075,000 which represents the present value of the outstanding amount of a compensation in the amount of approximately RMB48,088,000 (inclusive of tax) (equivalent to approximately HK\$52,777,000) (the "**Compensation**") payable to Huawei Technologies Co. Ltd. (華為技術有限公司) ("**HW**"), a major customer of the Group, by 上海易寶軟件有限公司 (for identification purpose only, Shanghai EPRO Software Company Limited) ("**EPRO**"), a then indirect wholly-owned subsidiary of the Company, as a result of the offering of bribe to the staff of HW by a former employee of EPRO in contravention of the Honesty and Integrity Undertaking dated 22 December 2014 executed by EPRO in favour of HW. The Compensation was being disposed of upon the disposal of subsidiaries during the year ended 31 December 2021.

#### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

The exposure of the Group's borrowings is as follows:

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Interest-bearing bank borrowings	40,710	79,162
Interest-bearing other borrowings	94,165	200,825
	<u>134,875</u>	<u>279,987</u>
Less: Interest-bearing bank and other borrowings classified as current portion	<u>(86,827)</u>	<u>(277,205)</u>
Non-current portion	<u>48,048</u>	<u>2,782</u>
Fixed-rate borrowings	94,165	216,513
Variable-rate borrowings	40,710	63,474
	<u>134,875</u>	<u>279,987</u>
Secured	104,044	188,472
Unsecured	30,831	91,515
	<u>134,875</u>	<u>279,987</u>
Analysis into:		
The carrying amounts of the above borrowings are repayable:		
Within one year or on demand	86,827	277,205
In the second year	18,663	922
In the third to fifth years, inclusive	29,385	1,860
	<u>134,875</u>	<u>279,987</u>

The ranges of effective interest rates per annum on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	3.65 – 10.50%	4.70 – 6.00%
Variable-rate borrowings	<u>2.90 – 2.91%</u>	<u>2.90%</u>

## 15. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>20,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>5,336,235,108</u>	<u>53,362</u>

## 16. LITIGATION

As at 31 December 2020 and 2021, the Group was involved in four legal proceedings or potential legal proceedings as follows:

### Convoy Case

- (a) On 19 December 2017, Ever Robust Holdings Limited (“**Ever Robust**”), an indirect wholly-owned subsidiary of the Company, received a writ of summons with a statement of claim (the “**Writ**”) issued in the Court of First Instance of the High Court of Hong Kong (the “**Court**”) by Convoy Global Holdings Limited (“**Convoy**”), Convoy Collateral Limited (the “**Second Plaintiff**”) and CSL Securities Limited (the “**Third Plaintiff**”, together with Convoy and the Second Plaintiff, collectively as the “**Plaintiffs**”) against, among other defendants, Ever Robust (together with the other defendants, collectively as the “**Defendants**”).

Based on the Writ, the orders sought by the Plaintiffs against Ever Robust were as follows: (i) Convoy sought an order as against, among others, Ever Robust, that the allotment of the shares in Convoy by Convoy to, among others, Ever Robust on 29 October 2015, be set aside; (ii) the Second Plaintiff and the Third Plaintiff sought an order that the financing facilities granted by them, including the loan (the “**Convoy Loan**”) in the amount of HK\$129,000,000 granted to Ever Robust by the Second Plaintiff on 9 November 2015, and the margin loan (the “**Margin Loan**”) granted to Ever Robust by the Third Plaintiff which amounted to HK\$67,574,473 as at 29 March 2016, be rescinded; and (iii) the Plaintiffs sought against, among others, Ever Robust for (a) general or special damages; (b) interests; (c) costs; and (d) further and/or other reliefs (the “**Convoy Proceedings**”). As at 19 December 2017, Ever Robust had fully repaid the Convoy Loan and the Margin Loan and did not hold any shares in Convoy.

On 6 March 2018, a case management conference hearing was held before the Honourable Mr. Justice Harris on the Convoy Proceedings. On 9 July 2018, Ever Robust has received an amended writ of summons and an amended statement of claim (the “**Amended Statement of Claim**”). Pursuant to the Amended Statement of Claim, the reliefs sought by the Plaintiffs against Ever Robust were amended as follows: (i) a declaration and order as against among others, Ever Robust, that the allotment of the shares in Convoy by Convoy to, among others, Ever Robust, on 29 October 2015, was null and void, or has been rescinded and set aside (as sought by Convoy); (ii) an account of profits and an order for payment of any sums found to be due, equitable compensation to be assessed, and/or damages to be assessed for breach of fiduciary, common law and/or statutory duties, dishonest assistance, unlawful means conspiracy and/or lawful means conspiracy, as against, among others, Ever Robust (as sought by Convoy); (iii) an order against, among others, Ever Robust, for an account of profits and an order for payment of any sums found to be due, equitable compensation to be assessed, and/or damages to be assessed for breach of fiduciary, common law and/or statutory duties, dishonest assistance, unlawful means conspiracy and/or lawful means conspiracy (as sought by the Second Plaintiff and the Third Plaintiff); and (iv) against, among others, Ever Robust, for (a) general or special damages; (b) interests; (c) costs; and (d) further and/or other reliefs (as sought by all the Plaintiffs).



On 27 July 2018, Ever Robust received a sealed order (the “**Order**”) dated 28 June 2018 against, among other Defendants, Ever Robust, in which 11 parties are ordered to join the proceedings as additional defendants. Pursuant to the Order, it was further ordered, among other matters, as to between the Plaintiffs and Ever Robust (among certain other Defendants), that the Plaintiffs did have leave to file and serve the Amended Statement of Claim.

On 30 November 2018, Ever Robust received a copy sealed order dated 1 November 2018 against, among other defendants, Ever Robust, in which a party was ordered to join the proceedings as an additional defendant.

On 10 December 2018, Ever Robust filed its defence (“**Defence**”) to the Plaintiff’s claim in the Convoy Proceedings with the Court. Pursuant to the Defence, Ever Robust averred that the Plaintiffs were not entitled to any relief against Ever Robust in the Convoy Proceedings.

On 30 August 2019, Ever Robust filed its amended Defence pursuant to the order of Hon Harris J dated 12 July 2019.

Further details of the Convoy Proceedings were set out in the Company’s announcements dated 19 December 2017, 1 June 2018, 7 June 2018 and 25 July 2018.

After seeking the legal opinion, the Group considered that there was no assessed monetary claim by the Plaintiffs and it is premature to give opinion on the probable outcome and estimate the ultimate liability.

#### **Zhu Xiao Yan Case**

- (b) On 2 January 2018, Ever Robust received a petition (the “**Petition**”) issued in the Court by Zhu Xiao Yan (the “**Petitioner**”) against, among other respondents, Ever Robust. Based on the Petition, the Petitioner has held and continues to hold 3,234,000 shares in Convoy since around mid-2015, and the Petitioner sought the following orders against, among others, Ever Robust: (i) a declaration that the placement of 3,989,987,999 shares in Convoy by Convoy to, among other placees, Ever Robust, and/or such placed shares were void ab initio and of no legal effect or, alternatively, be set aside; (ii) damages for dilution of the Petitioner’s shareholding; (iii) interest; (iv) such further or other relief and all necessary and consequential directions as the Court may think fit; and (v) costs (the “**Zhu Proceedings**”). As at 2 January 2018, Ever Robust did not hold any shares in Convoy.

On 6 March 2018, a case management conference was held on the Zhu Proceedings, in which the Honourable Mr. Justice Harris made an order that the Zhu Proceedings be stayed with liberty to restore, pending the outcome of the Convoy Proceedings.

Further details of the Zhu Proceedings were set out in the Company’s announcement dated 2 January 2018.

The Group has sought preliminary opinion on the above legal proceedings from its solicitors (or legal adviser) in Hong Kong, who, based on the information available as of the approved date on these consolidated financial statements, was of the opinion that:

- there is no assessed monetary claim except the Plaintiffs’ claim and the Petitioner’s claims against Ever Robust for damages to be assessed;
- it is premature to give opinion on the probable outcome; and
- it is premature to estimate the ultimate liability.

## Essence Case

- (c) During the years ended 31 December 2020 and 2021, a subsidiary of the Company (the “**Borrower**”) had breached the covenant of a loan (the “**Essence Loan**”) in the original principal amount of RMB79,868,600 granted by Essence Securities Co., Limited (the “**Lender**”), which is secured by certain of the listed securities (“**Pledged Assets**”) (notes 10 and 12) (the “**Essence Case**”). On 17 January 2020, the Borrower received the summons (the “**Summons**”) issued by the Lender, as plaintiff, in Shenzhen Intermediate People’s Court (the “**SZ Court**”) against the Borrower as defendant. Pursuant to the Summons, the Lender demanded the SZ Court to order the Borrower to: (i) repay to the Lender the outstanding principal amount of the Essence Loan in the sum of approximately RMB70,893,000 (equivalent to approximately HK\$79,216,000); (ii) pay to the Lender interest at the rate of 6% per annum accrued on the outstanding principal amount of the Essence Loan in the sum of approximately RMB70,893,000 (equivalent to approximately HK\$79,216,000) from 20 June 2019 to the date of repayment; (iii) pay to the Lender liquidated damages at the daily rate of 0.03%, including liquidated damages on the outstanding interest in the sum of approximately RMB1,042,000 (equivalent to approximately HK\$1,164,000) from 16 September 2019 to the date of repayment and liquidated damages on the principal from 19 June 2018 to the date of repayment; (iv) pay to the Lender its legal costs in making the claims in the sum of RMB76,000 (equivalent to approximately HK\$85,000); (v) use the proceeds from the realisation of 45,779,220 shares in LEO pledged by the Borrower through discounting, sale or auction firstly to repay to the Lender the outstanding amount of the Essence Loan, the interest, the liquidated damages and the legal costs; and (vi) bear all the litigation costs such as case acceptance fees and security fee of this case. As per the Summons, the aggregate amount of the claims under (i) to (iv) up to 18 November 2019 amounted to approximately RMB85,186,000 (equivalent to approximately HK\$95,187,000). As at 31 December 2019, the aggregate amount of the claims under (i) to (iv) was estimated to be approximately RMB86,660,000 (equivalent to approximately HK\$96,833,000).

On November 2020, the Borrower received the judgement (“**Judgement**”) issued by the SZ Court in relation to the Summons, pursuant to which:

- (1) the Borrower shall within ten days after the Judgement becoming effective, repay to the Lender (a) the outstanding principal amount of the Essence Loan in the sum of approximately RMB71 million and interest on the outstanding principal amount of the Essence Loan (consisting of (i) interest in the amount of approximately RMB1 million accrued from 20 June 2019 to 16 September 2019; and (ii) interest at the rate of 6% per annum accrued on the outstanding principal amount of the Essence Loan in the sum of approximately RMB71 million from 16 September 2019 to the date of repayment); (b) liquidated damages at the daily rate of 3/10,000 on the outstanding interest in the sum of approximately RMB1 million payable from 16 September 2019 to the date of repayment; and (c) liquidated damages at the daily rate of 3/10,000 on the outstanding principal amount of the Essence Loan (consisting of (i) liquidated damages in the amount of approximately RMB1 million payable from 19 June 2019 to 19 August 2019; and (ii) liquidated damages on the outstanding principal amount of the Loan in the sum of approximately RMB71 million payable from 19 August 2019 to the date of repayment);
- (2) the Lender shall have the right to the Pledged Assets as a chargee and the priority to be compensated with the proceeds from the realisation of the Pledged Assets through discounting, auction or sale; and
- (3) out of the litigation costs (consisting of case acceptance fees and security fee) in the aggregate amount of approximately RMB473,000, approximately RMB465,000 and approximately RMB8,000 shall be borne by the Borrower and the Lender, respectively.

Further details of the Summons and the Judgement were set out in the Company's announcement dated 18 January 2020 and 20 November 2020.

The Group completed the TH Disposals on 3 March 2021 and 10 March 2021 to partially repay the Essence Loan and the liabilities owed to the Lender under the Essence Loan as required by the Judgment.

## LEO Case

- (d) On 7 December 2015, Jixiang, a subsidiary of the Company, Mr. Xu Jialiang, Mr. Xu Xiaofeng (collectively, the **"Vendors"**), 上海智趣廣告有限公司 (in English, for identification purpose, Shanghai Zhiqu Advertisement Co., Ltd.) (**"Zhiqu"**) and LEO Group Co., Ltd. (**"LEO"**) entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 11 January 2016) (the **"Zhiqu SP Agreement"**), pursuant to which LEO agreed to acquire, and the Vendors agreed to sell, the entire equity interest of Zhiqu (the **"Zhiqu Disposal"**). The Vendors and LEO also entered into the performance compensation agreement (the **"Performance Compensation Agreement"**) in relation to the adjustments to the total consideration for the Zhiqu Disposal. The total consideration shall be subject to adjustments (the **"Adjustments"**, each an **"Adjustment"**) in accordance with the Performance Compensation Agreement in the manner as stipulated below:

For the purpose of the Adjustments, the **"Audited NOP"** is Zhiqu's audited net operating profit after tax, after adjustments for, where applicable, any non-recurring and exceptional gains or losses, whichever is lower, that are not related to the ordinary business of Zhiqu, attributable to shareholders of the parent company of Zhiqu as deduced from the audited consolidated financial statements of Zhiqu for the relevant financial year ended 31 December 2016 (**"FY2016"**), financial year ended 31 December 2017 (**"FY2017"**) and financial year ended 31 December 2018 (**"FY2018"**) (each a **"Guaranteed FY"**). The Vendors severally (but among Mr. Xu Jialiang and Mr. Xu Xiaofeng, jointly and severally) undertook to LEO that:

- (i) the Audited NOP of Zhiqu for FY2016 shall be not less than RMB58,000,000 (the **"2016 Target NOP"**);
- (ii) the Audited NOP of Zhiqu for FY2017 shall be not less than RMB75,400,000 (the **"2017 Target NOP"**); and
- (iii) the Audited NOP of Zhiqu for FY2018 shall be not less than RMB98,020,000 (the **"2018 Target NOP"**).

The Vendors and LEO agreed that the amount of Adjustment (the “**Adjustment Amount**”) for each Guaranteed FY shall be settled by the Vendors in the following order:

- (i) firstly, by the consideration shares allotted and issued to Mr. Xu Jialiang and Mr. Xu Xiaofeng, in proportion to the consideration shares allotted and issued to them (“**Xu’s Shares**”);
- (ii) if the Xu’s Shares shall be insufficient to settle the relevant Adjustment Amount, secondly, in cash by Mr. Xu Jialiang and Mr. Xu Xiaofeng in proportion to the cash consideration received by them (“**Xu’s Cash**”);
- (iii) if Mr. Xu Jialiang and Mr. Xu Xiaofeng have not fully compensated LEO, thirdly, by the consideration shares allotted and issued to Jixiang (“**Jixiang’s Shares**”);
- (iv) if the Xu’s Shares, the Xu’s Cash and the Jixiang’s Shares shall be insufficient to settle the relevant Adjustment Amount, fourthly, in cash by Jixiang, which is subject to a cap of approximately RMB25,510,000 (“**Jixiang’s Cash**”); and
- (v) if the Xu’s Shares, the Xu’s Cash, the Jixiang’s Shares and the Jixiang’s Cash shall be insufficient to settle the relevant Adjustment Amount, finally, in cash by Mr. Xu Jialiang and Mr. Xu Xiaofeng to settle the balance.

Upon the end of each Guaranteed FY and the issue of the special audit report of Zhiqu for FY2018, LEO shall engage qualified auditors to conduct asset impairment test and issue a report in respect of any asset impairment. Where the asset impairment of Zhiqu as reflected in such report shall be more than the total Adjustment Amount compensated by the Vendors to LEO, the Vendors shall compensate LEO a sum equal to the difference between such asset impairment and the Adjustment Amount then compensated by the Vendors to LEO, which shall be settled first by the consideration shares (the value of which shall be calculated by multiplying such number of consideration shares with the issue price), with payment of cash to settle the balance (if any). All liabilities of Jixiang under the Performance Compensation Agreement shall at all times be capped at the total consideration received by it.

Based on a special audit report of Zhiqu for FY2016 published by LEO on 30 August 2017, the Audited NOP of Zhiqu for FY2016 amounted to approximately RMB32,240,000, which was less than the 2016 Target NOP. Accordingly, the Adjustment Amount for FY2016 shall be approximately RMB83,931,000 and shall be settled by 18,166,915 Xu’s Shares (the “**FY2016 Compensation**”). Jixiang was not required to pay any compensation to LEO in respect of the Audited NOP of Zhiqu for FY2016.

As disclosed in LEO’s announcement dated 31 August 2017, Mr. Xu Jialiang and Mr. Xu Xiaofeng shall pay additional compensation which comprises (i) an aggregate of 21,993,909 LEO’s shares to LEO; and (ii) cash in the aggregate amount of RMB80,000,000 to Zhiqu, on or before 31 December 2017 (the “**Additional Compensation**”). According to LEO’s announcement dated 19 December 2017, such shares were returned to LEO for distribution to its shareholders in December 2017.

Based on a special audit report of Zhiqu for FY2017 published by LEO on 14 December 2018, the Audited NOP of Zhiqu for FY2017 amounted to approximately RMB36,689,000, which was less than the 2017 Target NOP. Accordingly, the Adjustment Amount for FY2017 shall be approximately RMB126,125,000 and shall be settled by 3,821,856 Xu’s Shares and Xu’s Cash in the amount of approximately RMB108,468,000 (the “**FY2017 Compensation**”) taking into consideration the Additional Compensation. However, as disclosed in the Company’s announcement dated 15 March 2019, according to LEO’s announcement dated 15 March 2019, given that the 3,821,856 Xu’s Shares were not sufficient to settle the FY2017 Compensation and Mr. Xu Jialiang and Mr. Xu Xiaofeng were unable to provide the Xu’s Cash in the amount of approximately RMB108,468,000, in accordance with the settlement mechanism above, the FY2017 Compensation shall be settled by 23,477,822 Jixiang’s Shares and Jixiang shall also return the cash dividend in the amount of approximately RMB506,000 received from LEO to an account designated by LEO.

As disclosed in the announcement of the Company dated 29 April 2019, on 29 April 2019, Jixiang received a letter from the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (“**SHIAC**”) that LEO had commenced arbitration proceedings against Jixiang to pursue the settlement of the portion of the FY2017 Compensation that Mr. Xu Jialiang and Mr. Xu Xiaofeng were unable to satisfy (the “**Unsettled FY2017 Compensation**”). As at 31 December 2018, the Company has been preliminarily advised by its legal advisers as to the laws of the PRC that Jixiang should have a good chance to argue in such arbitration proceeding that the demand from LEO for settlement of the Unsettled FY2017 Compensation should not be upheld. The hearing of the arbitration proceeding was held on 24 September 2019 before a panel of three arbitrators.

According to the announcement of LEO dated 8 November 2019, based on the special audit report in respect of the Audited NOP of Zhiqu for FY2018, the Audited NOP of Zhiqu for FY2018 amounted to RMB7,701,500, which was less than the 2018 Target NOP.

According to the announcement of LEO dated 3 December 2019, in view of the Audited NOP of Zhiqu for FY2018 being RMB7,701,500, the Adjustment Amount for FY2018 shall be RMB402,738,467 accordingly. The Adjustment Amount for FY2018 shall be settled by the Xu’s Shares, and where such shares are insufficient, by the Xu’s Cash received by Mr. Xu Jialiang and Mr. Xu Xiaofeng. Given that Mr. Xu Jialiang and Mr. Xu Xiaofeng no longer hold any consideration shares, they will be required to compensate LEO in cash. LEO will issue a demand notice for compensation to Mr. Xu Jialiang and Mr. Xu Xiaofeng after the compensation proposal in respect of the Adjustment Amount for FY2018 has been approved by the shareholders of LEO. If Mr. Xu Jialiang and Mr. Xu Xiaofeng do not settle the Adjustment Amount for FY2018 in full within 30 days after the issue of the demand notice, Jixiang will be required to settle the Adjustment Amount for FY2018 by 45,779,220 Jixiang’s Shares that it holds and, if such shares are insufficient, by Jixiang’s Cash. In addition, Jixiang will also be required to return the cash bonus in relation to the Jixiang’s Shares that it has received from LEO, the amount of which as determined in accordance with the amount of compensation that Jixiang is required to pay. If there is still a shortfall in the settlement of the Adjustment Amount for FY2018, Mr. Xu Jialiang and Mr. Xu Xiaofeng, who are jointly liable for such settlement, will be required to compensate LEO in cash. LEO will seek approval from its shareholders in respect of the above compensation proposal.

As disclosed in the announcement of the Company dated 6 December 2019, on 6 December 2019, Jixiang received a letter from SHIAC indicating that it has approved LEO’s application (“**Application**”) to make the following amendments (“**Amendments**”) to certain demands made by LEO against Jixiang in relation to the settlement of the Unsettled FY2017 Compensation:

- (i) the transfer of 45,779,220 Jixiang’s Shares (instead of 23,477,822 Jixiang’s Shares) held by Jixiang to LEO;
- (ii) if Jixiang is unable to transfer the entire 45,779,220 Jixiang’s Shares (instead of 23,477,822 Jixiang’s Shares) to LEO, the shortfall shall be compensated to LEO by way of cash; and
- (iii) the return of the cash bonus in the amount of approximately RMB989,000 (instead of approximately RMB506,000) in relation to the 45,779,220 Jixiang’s Shares (instead of 23,477,822 Jixiang’s Shares) by Jixiang to LEO.

In the Application, further to the above amendments, LEO also demanded Jixiang to pay LEO (i) cash compensation in the amount of approximately RMB25,510,000; and (ii) an amount which is calculated from the date of the Application, based on the amount of unsettled compensation due from Jixiang to LEO times the one-year loan prime rate published on 21 October 2019 as authorised by the People's Bank of China (i.e. 4.20% per annum), as compensation for the loss suffered by LEO.

It was stated in the Application that the Amendments were proposed taking into consideration that (i) the Audited NOP of Zhiqu for FY2018 as reported in the special audit report in respect of the Audited NOP of Zhiqu for FY2018 amounting to approximately RMB7,702,000, was less than the 2018 Target NOP (i.e. RMB98,020,000); and (ii) any party in breach of the Performance Compensation Agreement shall be liable for damages caused to the parties not in default. It was stated in the letter that Jixiang shall provide rebuttal opinion on evidence in respect of the supplemental information attached to the Application ("**Rebuttal**") within five working days after the receipt of the letter.

On 10 December 2019, Jixiang has instructed its PRC legal adviser to provide the Rebuttal and an objection to the Application ("**Objection**") to SHIAC. In the Objection, Jixiang requested SHIAC to reject the Application, taking into account that (i) the Application was made too late, which would severely affect the normal process of the arbitration; and (ii) the inclusion of the compensation for the Adjustment Amount for FY2018 into the amended demands under the Application would complicate the case and cause delay to the arbitration proceedings, and more importantly, LEO's claims against Jixiang in relation to the Adjustment Amount for FY2018 are subject to (a) LEO's claims against Mr. Xu Jialiang and Mr. Xu Xiaofeng after the shareholders of LEO have given their approval of the related compensation proposal; and (b) the failure of Mr. Xu Jialiang and Mr. Xu Xiaofeng to settle the 2018 Adjustment Amount in full within 30 days after the issue of the demand notice by LEO.

According to the announcement of LEO dated 27 December 2019, LEO issued a letter to Mr. Xu Jialiang and Mr. Xu Xiaofeng on 19 December 2019 demanding the settlement of the Adjustment Amount for FY2018. In response to the demand letter issued by LEO on 19 December 2019 as mentioned above, Mr. Xu Jialiang and Mr. Xu Xiaofeng informed LEO in writing on 20 December 2019 that they were unable to pay the Adjustment Amount for FY2018 due to their financial difficulties. If Mr. Xu Jialiang and Mr. Xu Xiaofeng do not settle the Adjustment Amount for FY2018 in full within 30 days after the issue of the demand letter, Jixiang will be required to settle the Adjustment Amount for FY2018 by way of the 45,779,220 Jixiang's Shares that it holds and, if such shares are insufficient, by way of cash, which is subject to a cap of approximately RMB25,510,000 (being the amount of cash consideration received by Jixiang in relation to the Zhiqu Disposal). In addition, Jixiang will also be required to return the cash dividend in relation to the Jixiang's Shares that it has received from LEO, the amount of which as determined in accordance with the amount of compensation Jixiang is required to pay. If there is still a shortfall in the settlement of the Adjustment Amount for FY2018, Mr. Xu Jialiang and Mr. Xu Xiaofeng, who are jointly liable for such settlement, will be required to compensate LEO in cash. LEO will seek approval from its shareholders in respect of the proposal to repurchase and cancel the 45,779,220 Jixiang's Shares held by Jixiang as partial settlement of the Adjustment Amount for FY2018.

Jixiang has received a letter from SHIAC indicating that, among others: (a) SHIAC had received the Objection; and (b) SHIAC would handle the Amendments in addition to LEO's existing demands in relation to the settlement of the FY2017 Compensation.



On 8 February 2021, Jixiang received the arbitral awards (“**Arbitral Awards**”) issued by the SHIAC in respect of the demands made by LEO against Jixiang in relation to the settlement of the Unsettled FY2017 Compensation and the Adjustment Amount for FY2018, the details of which are as follows:

- (i) Jixiang shall transfer 45,779,220 Jixiang’s Shares it holds to LEO and assist LEO with matters relating to the acquisition and cancellation of such shares;
- (ii) if Jixiang is unable to transfer the entire 45,779,220 Jixiang’s Shares to LEO within 45 days from 5 February 2021 (i.e. the date on which the Arbitral Awards were issued by the SHIAC (“**Award Date**”)), the shortfall shall be compensated by Jixiang to LEO by way of cash, the amount of which shall be calculated using the following formula:

Amount of cash compensation to be paid to LEO =  $A \times 16.17/3.5$

A, being the number of Jixiang’s Shares in shortfall

- (iii) Jixiang shall pay to LEO (a) cash compensation in the amount of RMB9,626,612.92 (“**Cash Compensation**”); and (b) damages. the amount of which shall be calculated using the following formula:

Amount of cash damages to be paid to LEO =  $9,626,612.92 \times 3.85\%/365 \times B$

B, being the number of days from 4 December 2019 to the date on which the Cash Compensation is fully paid by Jixiang to LEO

- (iv) Jixiang shall return the cash bonus in the amount of RMB987,523.17 to LEO;
- (v) Jixiang shall pay to LEO RMB500,000 of the legal fees incurred by LEO as a result of the disputes with Jixiang over the settlement of the Unsettled FY2017 Compensation and the Adjustment Amount for FY2018 (“**Disputes**”); and
- (vi) Jixiang and LEO shall bear 70% and 30% of the arbitration fees incurred to settle the Disputes, respectively. Given that LEO has fully settled the entire amount of the arbitration fees of RMB1,632,434, Jixiang shall pay 70% of such fees (i.e. RMB1,142,703.80) to LEO.

The Arbitral Awards set out above are final and they shall be performed by Jixiang within 45 days from the Award Date.

On 20 October 2021, the Shenzhen Stock Exchange issued a disciplinary action advance notification (the “**Notification**”) to Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng, indicating that (i) Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng had breached Rules 1.4, 2.3 and 11.11.1 of the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange (November 2018 Revision)\* (深圳證券交易所股票上市規則(2018年11月修訂)) (the “**Shenzhen Listing Rules**”) and Rule 1.3 of the Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board (2015 Revision)\* (深圳證券交易所中小企業板上市公司規範運作指引(2015年修訂)), given that (a) Mr. Xu Jialiang and Mr. Xu Xiaofeng failed to fully compensate LEO in accordance with the Performance Compensation Agreement; and (b) Jixiang did not pay the compensation of RMB221 million to LEO in accordance with the arbitration judgement made by the SHIAC, whereas Zhiqu’s audited net operating profit after tax and other prescribed adjustments for the financial years ended 31 December 2016, 2017 and 2018 were less than RMB58,000,000, RMB75,400,000 and RMB98,020,000, respectively; and (ii) the Shenzhen Stock Exchange intends to impose the disciplinary action of the circulation of a criticism notice on Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng, pursuant to Rule 17.2 of the Shenzhen Listing Rules and Rule 27 of the Standards of the Shenzhen Stock Exchange for Imposition of Disciplinary Action on Listed Companies (for Trial Implementation)\* (深圳證券交易所上市公司紀律處分實施標準(試行)).

According to the Notification, if Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng fail to submit their statements and pleadings in writing and evidence in relation to the matters set out in the Notification to the Shenzhen Stock Exchange by 27 October 2021, they would be deemed to have waived their rights to make their statements and pleadings.

As at the date of hereof, no such written statements and pleadings and evidence have been submitted by Jixiang to the Shenzhen Stock Exchange.

The Group is in the course of seeking legal advice on the above matter. The Company will keep the Shareholders and potential investors informed of any further material developments in connection with the above matter by way of further announcement(s) as and when appropriate.

Details of the Notification are set out in the announcement of the Company dated 21 October 2021.

Details of the Zhiqu Disposal and the calculation of the Adjustment Amount for each Guaranteed FY were set out in (i) the announcements of the Company dated 8 December 2015, 11 January 2016, 29 February 2016, 20 May 2016, 5 July 2016, 5 September 2016, 7 September 2016, 31 August 2017, 14 December 2018, 15 March 2019, 9 April 2019, 29 April 2019, 8 November 2019, 3 December 2019, 6 December 2019, 10 December 2019, 27 December 2019 and 8 February 2021; and (ii) the circular of the Company dated 11 February 2016.

## CL Case

- (e) On 3 November 2021, the Company received a letter from the legal representatives of Mr. Wong Jing Shong (the “**CL Lender**”) that a hearing in relation to the litigation is scheduled to be heard by the High Court of Hong Kong (the “**High Court**”) on 10 December 2021 (the “**Hearing**”) and the orders or directions the CL Lender intends to seek at the Hearing include, among others, (i) Concord-Linked Limited (the “**CL Borrower**”) do pay the CL Lender the sum of HK\$31,541,095.89, being the outstanding principal and interest calculated up to 20 September 2021 and interest on the sum of the loan of HK\$30,000,000.00 (the “**CL Loan**”) at the rate of 5% per annum from 21 September 2021 until payment; and (ii) the CL Lender is at liberty to sell 51 ordinary shares in the CL Borrower beneficially owned by the Company which were pledged in favour of the CL Lender (the “**CL Mortgaged Shares**”) and apply the sales proceeds towards satisfaction and/or reduction of the sums due under the CL Loan.



At the Hearing, the Master of the High Court determined that the originating summons (the “**Originating Summons**”) served by the CL Lender as the plaintiff of the litigation to the CL Borrower and the Company as the defendants were defective and irregular mainly due to the CL Lender’s failure to serve the Originating Summons to the appropriate address of the CL Borrower and the Company respectively. Accordingly, the CL Lender was granted leave to withdraw the Originating Summons.

On 16 December 2021, the Group received a letter from the legal representatives of the CL Lender that owing to CL Borrower’s failure to repay the CL Loan and the interest accrued thereon, the CL Lender has exercised its rights pursuant to the terms of the share mortgage dated 11 September 2020 executed by the Company in favour of the CL Lender in securing the repayment obligation of the CL Borrower under the loan agreement in relation to the CL Loan and executed an instrument of transfer to transfer the CL Mortgaged Shares to the CL Lender on 14 December 2021, which resulted in the forced sale of the CL Mortgaged Shares (“**Forced Sale**”).

Prior to the Forced Sale, the CL Borrower was owned as to 51% by the Company and 49% by the CL Lender. Upon the Forced Sale, the CL Mortgaged Shares are no longer beneficially owned by the Company and the CL Borrower Group have ceased to be subsidiaries of the Company and the financial results of the CL Borrower and its subsidiaries (“**CL Borrower Group**”) have ceased to be accounted for in the consolidated financial statements of the Group. As a result of the Forced Sale, the Group recorded a gain on disposal of a subsidiary of approximately HK\$79,013,000.

Further details of the Hearing and the Originating Summons are set out in the Company’s announcements dated 27 September 2021, 3 November 2021 and 13 December 2021.

As the Group was not able to reliably assess the amount of potential liabilities in connection with the above legal proceedings in cases (a) and (b) and the Forced Sale was completed on 14 December 2021 for item (e), the Group has not made any provision against such legal proceedings stated in cases (a), (b) and (e) above. For cases (c) and (d) above, the Group has made provisions after seeking opinion from the PRC legal adviser and, the Company will, in accordance with the applicable laws, make every effort to protect the interests of the Company and the Shareholders, proactively respond to the cases and defend its position vigorously. The Company will closely monitor the development of these matters and make further announcements if and when there are any significant developments in relation to each of these legal proceedings.

## **17. CONTINGENT LIABILITIES**

Except for the litigations as disclosed in note 16 to these consolidated financial statements, the Group did not have any other significant contingent liabilities.

## **BUSINESS AND FINANCIAL REVIEW**

During the year under review, the Group continued to adopt a diversified business development strategy and the principal activities of the Group were (i) mobile internet cultural business and provision of IT services; (ii) provision of hospitality and related services in Australia; (iii) money lending business; and (iv) assets investments business.

The profit of the Group during the year under review was approximately HK\$10,841,000 (2020: loss of approximately HK\$104,436,000), and such turnaround was mainly due to the combined effects of (i) the increase in the Group's revenue net of cost of sales from approximately HK\$109,966,000 for the year ended 31 December 2020 to approximately HK\$180,762,000 for the year ended 31 December 2021, representing an increase of approximately 64%; (ii) the gain on disposal of a subsidiary of approximately HK\$79,013,000 recognised by the Group for the year ended 31 December 2021 resulted from the Forced Sale (as defined and explained in the paragraph headed "Mobile internet cultural business and provision of IT services" below); (iii) the compensation paid by the insurance company to the Group in relation to the fire damage to the restaurant and the cellar door at Balgownie Estate Vineyard Resort & Spa Yarra Valley ("Balgownie") of approximately HK\$51,172,000 recognised for the year ended 31 December 2021 upon completion of reconstruction of such restaurant and cellar door; (iv) the increase in the Group's administrative expenses from approximately HK\$189,768,000 for the year ended 31 December 2020 to approximately HK\$294,472,000 for the year ended 31 December 2021; and (v) the increase in the Group's share of the profit of one of the Group's associates from approximately HK\$6,495,000 for the year ended 31 December 2020 to approximately HK\$24,023,000 for the year ended 31 December 2021.

### **Mobile internet cultural business and provision of IT services**

During the year under review, the Group's mobile internet cultural business and provision of IT services recorded a revenue of approximately HK\$1,755,272,000 (2020: HK\$1,014,554,000), representing a growth of approximately 73%. The core IT businesses of the Group include enterprise software applications, mobile internet applications, mainframe downsizing, application localisation and systems integration. The Group has experienced a significant growth in its provision of IT services business during the year ended 31 December 2021, as compared with the year ended 31 December 2020, mainly due to the increase in the demand for the Group's IT services. In light of the outbreak of the COVID-19 pandemic in the PRC in the first two months of 2020, the operation efficiency of the Group's provision of IT services business had been adversely affected given that some of its staff had been put under quarantine in their hometowns in the PRC and could not return to the office to work or needed to work from home which adversely affected the ability of the Group to deliver its services to meet with its customers' orders during the three months ended 31 March 2020. However, with the COVID-19 pandemic under control in the PRC after the first quarter of 2020, the operation efficiency of the Group's provision of IT service business had resumed to normal in April 2020, which allowed the Group to meet the growth in the demand for its IT services.

On the other hand, in order to meet the increase in its service demand as well as the new service requirements from its customers (including the customers' demand for more staff to be assigned to the jobs), the Group had incurred substantial costs on human resources during the period under review to retain its existing employees and recruit new staff, while the salaries of experienced IT professionals had already been driven up by the strong demand in the market. As a result, the growth in the revenue generated by the Group during the year under review was outpaced by the increase in the aggregate salaries and benefits of the technical staff incurred by the Group to cope with the growth in the demand for its IT services.

Concord-Linked Limited (the “**CL Borrower**”), previously a nonwholly-owned subsidiary owned as to 51% by the Company, as the borrower, and Mr. Wong Jing Shong, as the lender (the “**CL Lender**”), entered into a loan agreement on 4 September 2020 (the “**CL Loan Agreement**”) for the granting of the loan in the sum of HK\$30,000,000 (the “**CL Loan**”). As one of the conditions precedent for the CL Lender to advance the CL Loan to the CL Borrower under the CL Loan Agreement, the Company executed the share mortgage dated 11 September 2020 (the “**CL Share Mortgage**”) in favour of the CL Lender in securing the repayment obligation of the CL Borrower under the CL Loan Agreement, under which the Company mortgaged, charged and assigned to the CL Lender 51 ordinary shares in the CL Borrower beneficially owned by the Company (the “**CL Mortgaged Shares**”), which represented 51% of the total issued share capital of the CL Borrower, and the dividends payable under the CL Mortgaged Shares.

The CL Loan became mature on 4 September 2021 and on 16 December 2021, the Group received a letter from the legal representatives of the CL Lender that owing to the CL Borrower's failure to repay the CL Loan and the interest accrued thereon, the CL Lender has exercised its rights pursuant to the terms of the CL Share Mortgage and executed an instrument of transfer to transfer the CL Mortgaged Shares to the CL Lender on 14 December 2021, which resulted in a forced sale of the CL Mortgaged Shares that the Company mortgaged, charged and assigned to the CL Lender in favour of the CL Lender in securing the repayment obligation of the CL Borrower under the CL Loan Agreement (the “**Forced Sale**”).

Prior to the completion of the Forced Sale on 14 December 2021, the CL Borrower was owned as to 51% by the Company and 49% by the CL Lender. Upon completion of the Forced Sale, the CL Mortgaged Shares were no longer beneficially owned by the Company, the CL Borrower and its subsidiaries (the “**CL Borrower Group**”) ceased to be subsidiaries of the Company and the financial results of the CL Borrower Group ceased to be accounted for in the consolidated financial statements of the Group.

The CL Borrower Group was loss-making and was in a net liabilities position for the previous two financial years ended 31 December 2019 and 2020.

The Group considers that the Forced Sale is instead an opportunity for the Group to cut its share of the loss and cash outflow suffered by the CL Borrower Group, reallocate the Group's resources to focus on other existing businesses of the Group with an aim to developing and enhancing other existing businesses of the Group and is in the interest of the Company and its shareholders as a whole. Details of the Forced Sale are set out in the announcements of the Company dated 27 September 2021, 3 November 2021, 13 December 2021 and 16 December 2021.

The Group commenced the operation of the retail commerce through network media business under the mobile internet cultural business and provision of IT services segment after the completion of its subscription for 10,200 ordinary shares of TNG Indonesia Holdings Limited (“**TNG Holdings**”), representing 51% of the issued share capital of TNG Holdings upon completion as enlarged by the allotment and issue of such shares, at the subscription price of US\$1,000,000 (equivalent to HK\$7,800,000) on 9 March 2021. TNG Holdings holds 79% of the issued shares of a company incorporated in Singapore, which holds 99% of the issued shares of PT TNG Wallet Indonesia (“**TNG Indonesia**”), which is a company incorporated in Indonesia with limited liability and an investment holding company and 1% of the issued shares of TNG Indonesia is held by TNG Holdings. TNG Indonesia holds 49% of the issued shares of PT Walletku Indompot Indonesia (“**TNG Indompot**”), which is a company incorporated in Indonesia with limited liability. As disclosed in the Company’s announcement dated 9 March 2021, 51% of the issued shares of TNG Indompot was held by an individual (the “**Indonesian Investor**”) who had pledged such interest in favour of TNG Indonesia pursuant to the contractual arrangements (the “**Contractual Arrangements**”), which were put in place as a result of certain foreign ownership restrictions in connection with the business activity of TNG Indompot under the then Indonesian laws and regulations.

Following changes in the laws in Indonesia under which the relevant foreign restriction applicable to TNG Indompot having been removed and foreign shareholders are allowed to directly hold 100% of the interest in an Indonesian company that is engaged in the business field of digital platform and/or web portal/site with commercial purposes, provided that such company shall have at least two or more shareholders and the minimum paid-up capital to be held by the second largest shareholder in such company shall be 10,000,000 Indonesian Rupiahs, the respective parties to the Contractual Arrangements had entered into a number of agreements to (i) change the shareholding structure of TNG Indompot to the effect that the Indonesian Investor shall transfer his 1,571 shares in TNG Indompot to TNG Indonesia and 10 shares in TNG Indompot to TNG Holdings (collectively, the “**Share Transfers**”); and (ii) unwind the Contractual Arrangements. As at 3 June 2021, the Share Transfers had been completed and the Contractual Arrangements had been terminated and unwound. Following the completion of the Share Transfers and as at the date of this announcement, TNG Indonesia holds 3,090 shares of TNG Indompot, representing approximately 99.68% of the equity interests of TNG Indompot, and TNG Holdings holds 10 shares of TNG Indompot, representing approximately 0.32% of the equity interests of TNG Indompot. Further details of the Share Transfers and the termination of the Contractual Arrangements are set out in the Company’s announcement dated 3 June 2021.

TNG Indompot is principally engaged in (i) Walletku Digital application, which is an electronic wallet for deposit of money as well as offline and online payment to merchants in Indonesia; (ii) sales of products of Indosat Ooredoo Hutchison (formerly known as Indosat Ooredoo), which is the second largest mobile network operator in Indonesia by market share; and (iii) Walletku E-commerce, which is an online shopping platform in Indonesia.

### ***Walletku Digital***

Walletku Digital is a mobile application which has the function of an electronic wallet and payment tool that facilitate digital financial transactions. Through the Walletku Digital application, the Group's customers can make online and offline payments to the merchants who participate in the Walletku Digital application. Walletku Digital also allows purchase of credits and mobile data, payment of bills, transfer of electronic money to other electronic wallet and payment for online shopping (including both third party online shopping platforms and TNG Indompet's own Walletku E-Commerce platform as detailed below).

### ***Indosat Segment***

According to an agreement dated 25 February 2021 (the “**Indosat Agreement**”), TNG Indompet has been appointed as an exclusive cluster management partner of Indosat Ooredoo Hutchison in Denpasar and Gilikangkung in Bali until 30 June 2022 and the Indosat Agreement is renewable subject to meeting certain conditions such as the sales performance of Indosat Ooredoo Hutchison's products by TNG Indompet. As a cluster management partner, TNG Indompet is required to market products of Indosat Ooredoo Hutchison including starter packs for first time users of Indosat Ooredoo Hutchison, data and vouchers for top-up of SIM card credits and extend the period of Indosat Ooredoo Hutchison SIM cards. TNG Indompet conducts the sales of the products of Indosat Ooredoo Hutchison through co-operation with over 2,000 traditional physical sales points and the Walletku Digital application for online sales.

### ***Walletku E-commerce***

Walletku E-commerce is a newly-developed online shopping platform which could be accessed through Walletku Digital's mobile application that allows all kind of merchants to sell their products online, including the participating merchants of Walletku Digital. TNG Indompet has partnered with several logistic service providers for the shipping of products purchased via Walletku E-commerce.

From 10 March 2021 to 31 December 2021, the Group recorded a revenue of approximately HK\$149,610,000 (2020: Nil) from its new retail commerce through network media business.

### **Hospitality and Related Services in Australia**

During the year under review, the Group was engaged in the hospitality business mainly through its two venues located in Victoria, Australia, namely Balgownie and Cleveland Winery Resort & Events (“**Cleveland**”, collectively with Balgownie, the “**Resorts**”) until Cleveland was disposed of by the Group in May 2021.



Balgownie, which is located in the Yarra Valley, is a popular winery and tourism destination in Victoria, Australia. The resort was the winner of “Resort Style Accommodation of the Year” awarded by Tourism Accommodation Australia (Victoria) four years in a row from 2016 to 2019. In addition, the head chef and executive chef of Balgownie’s newest restaurant were the finalist of Tourism Accommodation Australia (Victoria) for Best Chef in 2021 and the winner of Tourism Accommodation Australia (Victoria) for Best Chef in 2019 respectively, which ensure the high quality of the resort’s food and beverage offerings. Balgownie consists of a piece of freehold land of approximately 29 hectares with a 7-hectare vineyard growing Pinot and Chardonnay wine grapes, and offers 70 luxury accommodation rooms, including restaurant, cellar door, conference and function facilities, health club facilities and day spa, which could generate additional income from the guests.

Balgownie is partnering with Australia’s largest day spa brand, Endota Spa (the “**Spa Partner**”), which has a network of over 100 day spas in Australia, for the brand new day spa in Balgownie. Pursuant to the agreement entered into between the Group and the Spa Partner, the Group will provide the premises and the Spa Partner will contribute the capital required to fit out the spa. The Group will receive rental income from the Spa Partner on a percentage of the revenue generated by the Spa Partner. In addition, the Group will also sell the Spa Partner’s products and services in the spa venues to generate additional income related to the day spa. The day spa is expected to open by the end of the second quarter of 2022 and in the second half of 2022, the Group plans to launch a new “Wellness Retreat” product/service with the Spa Partner and shall be the first to provide the product/service in the Yarra Valley. The new “Wellness Retreat” will introduce wellness packages/experiences that include (i) holistic or alternative healing; (ii) nutrition and nourishment by the provision of curated menus for a healthy diet; (iii) calming activities such as meditation, yoga, pilates, qigong; and (iv) medical/rehabilitation spa experiences subject to the approval and availability of medical/health practitioners. The Group expects to leverage on the brand and client base of the Spa Partner and gain new visitations in the leisure and corporate segment, and attract more customers to Balgownie.

In June 2020, there was a fire that had destroyed the restaurant and cellar door of Balgownie. The Group had insurance coverage for rebuilding the restaurant and the cellar door. While the reconstruction was underway, the Group set up a temporary restaurant and cellar door to provide dining and wine tasting facilities to the in-house guests staying at Balgownie. The Group opened the new restaurant to the in-house guests of Balgownie upon completion of the reconstruction in December 2021. Upon completion of such reconstruction, the amount of compensation paid by the insurance company to the Group in relation to such fire damage in the amount of approximately HK\$51,172,000 was recognised as other income of the Group for the year ended 31 December 2021. The Group expects that, like the restaurant previously destroyed, the new restaurant will also be opened to the public in the first quarter of 2022, which will allow income to be generated from external customers for the Group.

The Group intends to brand Balgownie as an integrated resort-based travel destination for leisure and event-hosting resort. In the first quarter of 2022, the new restaurant will also welcome bookings from off-site customers in addition to in-house guests staying at Balgownie to enjoy the dining experience. With the new restaurant (together with the existing function centre) reaching a maximum capacity of approximately 270 customers, the Group will also provide banquet service such as hosting weddings or events to broaden the Group’s income stream. The Group believes that the ambience of the restaurants is important to attract customers to host lavish events and improve their dining experience.

Cleveland is located in Lancefield, Macedon Ranges. The resort includes a piece of freehold land of approximately 40 hectares comprising a 3-hectare vineyard growing cool-climate Pinot, Chardonnay and a sparkling wine grape, 50 ensuite rooms, a restaurant and extensive conference facilities, including several lounges and breakout areas.

On 8 February 2021, the Group entered into two sale and purchase agreements with certain independent third parties in respect of (i) the business of Cleveland (the “**Cleveland Business**”); (ii) the assets used in the Cleveland Business (except for the stocks of wine); and (iii) the site at which the Cleveland Business operated (collectively, the “**Cleveland Disposals**”), at an aggregate consideration of AUD4,000,000 (equivalent to approximately HK\$23,803,000). In light of the declining economic growth in Australia and the global outbreak of COVID-19, the demand for the services of Cleveland had decreased since the first quarter of 2020, and such decrease was expected to continue until the first quarter of 2021. In view of the above and taking into account that, Cleveland had not been performing well over the past two years, the Directors considered that the Cleveland Disposals would provide a good opportunity for the Group to re-allocate its resources to the development of Balgownie, which was likely to achieve a more rapid recovery due to its competitive advantages, including its geographical location, which is in an area popular among tourists.

The Cleveland Disposals were completed on 5 May 2021, upon which the assets and the financial results of Cleveland ceased to be accounted for in the consolidated financial statements of the Group. Details of the Cleveland Disposals are set out in the announcement of the Company dated 8 February 2021.

Despite the disposal of Cleveland and the implementation of a series of government restrictions to combat COVID-19, the revenue of the Group from its segment of provision of hospitality and related services improved to approximately HK\$37,457,000 for the year ended 31 December 2021 as compared with approximately HK\$33,946,000 for the year ended 31 December 2020, mainly due to the gradual relaxation of government restrictions and the fewer number of days the Resorts was required to be closed during the year ended 31 December 2021. No impairment loss on property, plant and equipment was recognised during the year under review, whereas during the year ended 31 December 2020, impairment loss on property, plant and equipment of approximately HK\$8,512,000 was recognised as the recoverable amount of the buildings of the Resorts was lower than the carrying amount.

The Resorts were closed from time to time during the period from March 2020 to November 2020 as a result of the COVID-19 lockdown, whereas during the year ended 31 December 2021, Balgownie stayed open for most of the time except for several lockdown periods (i.e. 6 days in February 2021; 22 days from May to June 2021; 12 days in July 2021; and 85 days from August 2021 to October 2021) and Cleveland was only closed during the first lockdown period in February 2021 before its disposal by the Group in May 2021.

The global outbreak of COVID-19 has resulted in a reduction in the demand for the services of the Resorts. In view of the restrictions put in place by the Australian government to combat COVID-19, the Group suspended the operation of the Resorts for the first time on 30 March 2020. On 8 May 2020, the Australian Prime Minister announced a three-step plan for reopening Australia, which would be implemented by the state and territory governments as they saw fit. The government of the state of Victoria (the “**Victorian Government**”) announced the gradual easing of the restrictions throughout Victoria with effect from 11:59 p.m. on 31 May 2020. In particular, tourist accommodation may be re-opened to guests provided there were no shared communal facilities, such as kitchens and bathrooms, and dine-in service for restaurants, cafes and other hospitality businesses may be resumed under certain restrictions and requirements, including those on the number of patrons per enclosed space and the spacing between the tables. The operation of the Resorts was partially resumed in June 2020, which took place in stages in line with the progress of the lifting of the restrictions by the government.

However, the resurgence of new COVID-19 cases on 7 July 2020 prompted the Victorian Government to reintroduce Stage 3 Stay at Home restrictions across the state of Victoria to help slow the spread of COVID-19. With effect from 6 p.m. on 2 August 2020, the Victorian Government introduced Stage 4 restrictions for Melbourne, under which a curfew would be in place from 8 p.m. to 5 a.m. every evening. While the curfews were in operation, people were only allowed to leave their house for work and essential health, care or safety reasons. Outside of these hours, people were only allowed to leave their houses for one of the following reasons: (i) to purchase food and necessary supplies; (ii) to exercise; (iii) to care and health care; (iv) to work; and (v) for personal reasons, such as visiting an intimate partner, parenting arrangements, etc. (the “**Outdoor Restrictions**”). From midnight on 6 August 2020, residents were encouraged to stay at home unless for (a) shopping for food and supplies; (b) receiving care and caregiving; (c) exercising and outdoor recreation; and (d) studying and working. In view of these new restrictions, the Group temporarily suspended the operation of the Resorts again with effect from 9 July 2020 to 8 November 2020.

The Victorian Government announced the gradual easing of the restrictions throughout Victoria with effect from 11:59 p.m. on 16 September 2020. Restrictions were eased to allow restaurants and some outdoor entertainment venues to open. Restaurants opened in a predominantly outdoor capacity, with a group limit of 10 people, and density limits.

With effect from 11:59 p.m. on 27 October 2020, the Victorian Government introduced stage 3 easing of restrictions for Melbourne, under which restaurants and cafes were allowed to open for outdoor and indoor seated service of food or drink, subject to the limits on the number of customers and distance between tables.

Subsequently, the Victorian Government has continued to impose on-and-off lockdown measures from time to time depending on the latest development of the COVID-19 pandemic. On 12 February 2021, the Victorian Government announced a five-day “Circuit Breaker” lockdown with effect from 11:59 p.m. on 12 February 2021 throughout all of Victoria and the Resorts were fully closed from 12 February 2021 and were reopened on 18 February 2021. From 11:59 p.m. on 27 May 2021, a seven-day “Circuit Breaker” lockdown was in place throughout all of Victoria and Balgownie was fully closed from 28 May 2021.



The Victorian Government announced with effect from 11:59 p.m. on 10 June 2021, the Outdoor Restrictions would be removed, and the travel limit from home would be increased from 10 km to 25 km. Nevertheless, the increased travel limit still prevented many people from travelling long distances and therefore many bookings were cancelled. Balgownie remained closed for an additional week and reopened on 18 June 2021.

A five-day lockdown with effect from 11:59 p.m. on 15 July 2021 was imposed throughout all of Victoria and Balgownie was fully closed from 16 July 2021 and was reopened on 21 July 2021.

The Victorian Government announced with effect from 11:59 p.m. on 27 July 2021, bookings for accommodation would be permitted for single households, intimate partners or single bubbles.

From 11:59 p.m. on 5 August 2021, a seven-day lockdown was implemented throughout all of Victoria and Balgownie was fully closed from 5 August 2021. The lockdown was extended several times and ended on 22 October 2021. Restrictions still remained in place until the state reached 80% double vaccinated status, which occurred on 29 October 2021. Balgownie was reopened on 31 October 2021 and has remained open ever since.

All the above restrictions which spanned from early 2020 to late 2021 have resulted in a significant decline in bookings in tourism accommodation across the state of Victoria, and Balgownie was also forced to remain closed for more than 200 days and 120 days in 2020 and 2021 respectively, resulting in the underperformance of the Group's business of hospitality and related services in Australia for the financial years ended 31 December 2020 and 2021.

The Victorian Health Minister announced the reinstatement of indoor density limits with effect from 11:59 p.m. on 6 January 2022, which include (i) indoor capacity limit of 1 person per 2 square metres, with seated service preferred; and (ii) indoor dancefloors are discouraged, but not prohibited, while there is no change to outdoor gathering settings. Notwithstanding the above, as at the date of this announcement, Balgownie is allowed and has remained open to in-house guests and the public since the reinstatement of the limits.

While the above measures of the Victorian Government regarding COVID-19 had minimal impact on Balgownie, as there had been an outbreak of the Omicron variant of COVID-19 since December 2021, Balgownie faced a temporary workforce shortage due to staff having to isolate themselves as a result of either being infected by COVID-19 or being in close contact with COVID-19 patients, resulting in a temporary reduction of the operating capacity of Balgownie. Consumer confidence had also been affected, leading to room bookings of Balgownie being cancelled or corporate event bookings being postponed or cancelled by customers in January 2022.

Nevertheless, the occupancy rate of Balgownie for the two months ended 28 February 2022 was approximately 71%, which has gradually increased from approximately 44% for the year ended 31 December 2021, and the Directors expect that the situation will continue to improve in the second quarter of 2022 as the Premier of Victoria has announced the density limits in hospitality and entertainment venues will end and indoor dance floors are set to reopen from 6:00 p.m. on 18 February 2022. The decision to ease these restrictions is attributable to the number of infected people being admitted into hospitals in February 2022 having been reduced by more than half, as compared with that in January 2022.

Currently, Balgownie has 70 luxury rooms and a new restaurant and there will be a rebranded day spa this year. In order to stay competitive in the market, the Group will regularly review and refine the interior design of Balgownie and enhance its equipment and will arrange refurbishment if necessary.

### **Money Lending Business**

The Group is engaged in the money lending business in Hong Kong through its wholly-owned subsidiary, Mark Profit Finance Limited, which is a holder of a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the year under review, the Group recorded interest income of approximately HK\$6,772,000 (2020: HK\$2,045,000) from its money lending business, and interest income of the Group increased mainly due to the increase in the loans granted by the Group during the year under review. The Group has been paying close attention to the market conditions and will continue to monitor its resources to strive for the development of its money lending business with prudent credit procedures in accepting customers.

As at 31 December 2021, the Group had 5 borrowers and comprising both corporations and individuals; and the Group's loans and loan interest receivable balance (net of provision) amounted to approximately HK\$49,816,000 (2020: approximately HK\$110,205,000), out of which approximately HK\$17,436,000 (representing approximately 35% of the total loans and loan interest receivables of the Group) was due from the largest borrower of the Group. As at 31 December 2021 and 2020, all loan receivables of the Group were unsecured.

As at 31 December 2021, the loans receivables had a fixed term of 12 months (2020: 6 months to 12 months), with interest rates being charged at from 7% to 12% per annum (2020: 7% to 9% per annum).

The Group has recorded a provision for impairment loss on loan and interest receivables of approximately HK\$392,000 during the year ended 31 December 2021 (2020: HK\$884,000). The assessment of the Group's provision for impairment loss on loan and interest receivables for the year ended 31 December 2021 was performed under the expected credit loss model in accordance with HKFRS 9 Financial Instruments.

### **Assets Investments Business**

During the year under review, the Group recorded a segment profit from its assets investment business of approximately HK\$9,739,000 (2020: HK\$5,157,000), and the change was primarily attributable to the combined effects of (i) the increase in the Group's share of the profit of one of the Group's associates from approximately HK\$6,495,000 for the year ended 31 December 2020 to approximately HK\$24,023,000 for the year ended 31 December 2021; and (ii) the loss of approximately HK\$9,034,000 resulted from the Group's disposals of 81,378,000 shares in Town Health in March 2021, which was absent during the year ended 31 December 2020.

During the year ended 31 December 2021, the Group recorded fair value gain on financial assets at fair value through profit or loss (“**FVTPL**”) of approximately HK\$345,000 (2020: fair value loss on financial assets at FVTPL of approximately HK\$2,409,000), which was mainly attributable to the fair value gain of approximately HK\$494,000 resulted from the Group’s investments in two unlisted investments in Hong Kong. In addition, the Group recorded fair value losses on financial assets at fair value through other comprehensive income (“**FVTOCI**”) of approximately HK\$37,506,000 (2020: fair value gain on financial assets at FVTOCI of approximately HK\$1,660,000) for the year ended 31 December 2021, of which approximately HK\$31,493,000 represented the unrealised loss on investment in equity instrument designated at FVTOCI in relation to the 45,779,220 shares held by the Group in LEO Group Co., Ltd (“**LEO**”), a company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002131).

On 3 March 2021 and 10 March 2021, the Group disposed of 4,000 shares and 81,374,000 shares in Town Health for an aggregate cash consideration (excluding transaction costs) of approximately HK\$3,000 and HK\$22,886,000, respectively, on the open market of the Stock Exchange via Southbound Trading of Shanghai-Hong Kong Stock Connect (the “**TH Disposals**”), which resulted in an aggregate loss on disposal of financial assets at FVTPL of approximately HK\$9,034,000.

Details of the TH Disposals are set out in the announcement of the Company dated 10 March 2021.

The Company will continue to regularly evaluate the investments in its portfolio and its investment strategy, and seek to identify potential and appropriate opportunities in realising its existing investments in securities or making new investments, taking into account the prospects of the issuers of the securities investments and the Group’s objectives to optimise the returns from its investment portfolios and create value for the Shareholders.

## **PROSPECTS**

Looking ahead, the global economy is expected to remain volatile and uncertain amid the Russo-Ukrainian War and the COVID-19 pandemic. It is vital for the Group to maintain its financial health and resilience to overcome any challenges that may arise in the future. In order to improve its financial performance and generate greater value for the Shareholders, the Group had completed the Cleveland Disposals in May 2021, which would not only allow the Group to reduce the costs required for it to run its provision of hospitality and related services in Australia business, but also enable it to redirect its resources to the development of Balgownie, which is expected to achieve a more rapid recovery due to its competitive advantages, such as its geographical location, which is in an area popular among tourists.

In relation to the mobile internet cultural business and provision of IT services, in view of the continuous growth of and increasing adoption of technologies in the retail commerce and e-commerce markets in Indonesia, and the Group’s plan to expand the customer base of the Walletku payment application and e-commerce platform, the Group considers that this business segment will have tremendous growth potential and will continue to generate revenue for the Group as (i) Indonesia is the world’s fourth largest smartphone market with a population of approximately 270 million people and over 60% of its population is equipped with a smartphone; (ii) currently over 50% of Indonesia’s population is unbanked due to geographical and

infrastructural barriers and hence there is a significant population requiring some form of digital payment solution; and (iii) the COVID-19 pandemic has seen a surge in digital adoption among consumers and an accelerated growth of digital payments and e-commerce.

Following the completion of the Forced Sale in December 2021, the financial position of the Group would actually improve and the Group considers that the Forced Sale is instead an opportunity for the Group to cut its share of the loss and cash outflow suffered by the CL Borrower Group, reallocate the Group's resources to focus on other existing businesses of the Group with an aim to develop and enhance other existing businesses of the Group and is in the interest of the Company and its shareholders as a whole.

Going forward, the Group will continue to carry on its existing businesses by formulation and implementation of its own business plans and strategies and leveraging its own business model, competitiveness and strengths so as to develop, maintain and enhance its existing businesses, which will be viable and sustainable and will be able to create value and investment return for shareholders of the Group.

## **STRATEGIC UPDATE**

Entering into 2022, both regional and global markets will unquestionably remain sensitive to geopolitical and macroeconomic uncertainties, as well as the pandemic situation of COVID-19. The Group's focus will be on (i) maintaining operational resilience in times of unpredictability and challenges; (ii) remaining competitive and forward-thinking, skillfully executing its strategy; and (iii) exploring new opportunities, experimenting and moving steadily and boldly towards greater success.

The Group's focus will remain on the successful execution of its strategic plans and working together with the regulators and other stakeholders to support the prosperity and sustainability of the markets and communities where the Group operates. Also, the Group's commitment to strengthening its competitiveness will remain a core focus in the years ahead. The Group is confident that the efforts it has been making will position it strongly for the next phase of its journey and generate value over the longer term.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2021, the total assets of the Group were approximately HK\$657,894,000 (2020: HK\$1,134,050,000) including cash and cash equivalents of approximately HK\$10,839,000 (2020: HK\$89,480,000), among which approximately 49% (2020: 35%) were denominated in Hong Kong dollars, 2% (2020: 21%) were denominated in United States dollars, 1% (2020: 33%) were denominated in Renminbi, 39% (2020: 11%) were denominated in Australian dollars and 9% (2020: Nil) were denominated in Indonesian Rupiah. As at 31 December 2021, the Group had borrowings repayable within one year (or on demand) of approximately HK\$86,827,000 (2020: HK\$277,205,000). These borrowings bore interest at rates ranging from 2.9% to 10.5% per annum (2020: 2.9% to 6.0%), among which approximately 93% (2020: 77%) were subject to fixed interest rates. Out of the total borrowings, approximately 32% (2020: 22%) were denominated in Australian dollars, the balance of approximately 47% (2020: 67%) were denominated in Renminbi and approximately 21% (2020: 11%) was denominated in Hong Kong dollars. As at 31 December 2021, the Group had borrowing facilities to the extent of approximately HK\$139,465,000 (2020: HK\$341,876,000). As at 31 December 2021, approximately HK\$134,875,000 (2020: HK\$279,987,000) of the facilities had been utilised by the Group. There is no seasonality in relation to the borrowing requirements of the Group.

As at 31 December 2021, the Group's gearing ratio (calculated on the basis of total liabilities to total assets) was 0.52 times (2020: 0.77 times) and its net debt-to-equity capital ratio (calculated as the total trade and other payables, accruals and provision, interest-bearing bank and other borrowings, derivative financial liabilities, convertible loans, and lease liabilities less pledge time deposit and cash and cash equivalents, over equity attributable to the Shareholders) was 0.80 times (2020: 2.36 times).

Despite the fact that the Group had net current liabilities of approximately HK\$18,687,000 as at 31 December 2021, the consolidated financial statements of the Company for the year ended 31 December 2021 have been prepared on the basis that the Group will continue to operate as a going concern. The Directors are of the opinion that the Group is able to continue as a going concern and to meet in full their financial obligations as: (i) the Group has been actively negotiating with its creditors to extend the repayment terms of its indebtedness; and (ii) continuing financial support has been provided by a substantial shareholder of the Company, who has confirmed his willingness to provide funding for financing the operations of the Group to meet its future obligations. In light of all the measures adopted and arrangements implemented, the Directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group to remain as a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

## CAPITAL STRUCTURE

As at 31 December 2021, the Group had shareholders' equity of approximately HK\$322,726,000 (2020: HK\$298,858,000).

As at 31 December 2021, the Group had borrowings of approximately HK\$134,875,000 (2020: HK\$279,987,000). Certain loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the draw down facilities would become repayable on demand. In addition, the Group's certain loan agreements contain clauses which give the lenders the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The exposure of the Group's borrowings is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Fixed-rate borrowings	94,165	216,513
Variable-rate borrowings	40,710	63,474
	<u>134,875</u>	<u>279,987</u>
Secured	104,044	188,472
Unsecured	30,831	91,515
	<u>134,875</u>	<u>279,987</u>
The carrying amounts of the above borrowings are repayable:		
Within one year or on demand	86,827	277,205
In the second year	18,663	922
In the third to fifth years, inclusive	29,385	1,860
	<u>134,875</u>	<u>279,987</u>

*Note:*

The ranges of effective interest rates per annum on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	3.65 – 10.50%	4.70 – 6.00%
Variable-rate borrowings	<u>2.90 – 2.91%</u>	<u>2.90%</u>



## FOREIGN EXCHANGE

During the year under review, the Group mainly generated revenue and incurred costs in Hong Kong dollars, Renminbi, Australian dollars, Euro and Indonesian Rupiah. The Group did not invest in any derivative product for hedging during the year under review. Nevertheless, the Group will keep monitoring its foreign currency risk and when there are uncertainties or material fluctuations in the foreign exchange rates, the Group will consider using appropriate hedging instruments, including futures and forward contracts in managing the Group's exposure in relation to fluctuations in the foreign exchange rates.

## CHARGE ON THE GROUP'S ASSETS

As at 31 December 2021, certain borrowing facilities of the Group were secured by freehold land and buildings of approximately HK\$91,770,000 (2020: HK\$114,859,000), financial assets at FVTOCI of approximately HK\$137,978,000 (2020: HK\$164,484,000), fixed deposit of approximately HK\$Nil (2020: HK\$13,000,000) and financial assets at FVTPL of approximately HK\$Nil (2020: HK\$31,900,000).

## CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments contracted but not provided for amounting to approximately HK\$Nil (2020: approximately HK\$3,590,000).

## DISPOSAL OF ZHIQU

On 7 December 2015, 迹象信息技术(上海)有限公司 (in English for identification purpose, Jixiang Information Technology (Shanghai) Co., Ltd.) ("**Jixiang**"), a wholly-owned subsidiary of the Company, Mr. Xu Jialiang, Mr. Xu Xiaofeng (collectively, the "**Vendors**"), 上海智趣广告有限公司 (in English, for identification purpose, Shanghai Zhiqu Advertisement Co., Ltd.) ("**Zhiqu**") and LEO entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 11 January 2016) (the "**Zhiqu SP Agreement**"), pursuant to which LEO agreed to acquire, and the Vendors agreed to sell, the entire equity interest of Zhiqu (the "**Zhiqu Disposal**"). The Vendors and LEO also entered into the performance compensation agreement (the "**Performance Compensation Agreement**") in relation to the adjustments to the total consideration for the Zhiqu Disposal. The total consideration shall be subject to adjustments (the "**Adjustments**", each an "**Adjustment**") in accordance with the Performance Compensation Agreement in the manner as stipulated below:

For the purpose of the Adjustments, the “**Audited NOP**” is Zhiqu’s audited net operating profit after tax, after adjustments for, where applicable, any non-recurring and exceptional gains or losses, whichever is lower, that are not related to the ordinary business of Zhiqu, attributable to shareholders of the parent company of Zhiqu as deduced from the audited consolidated financial statements of Zhiqu for the relevant financial year ended 31 December 2016 (“**FY2016**”), financial year ended 31 December 2017 (“**FY2017**”) and financial year ended 31 December 2018 (“**FY2018**”) (each a “**Guaranteed FY**”). The Vendors severally (but among Mr. Xu Jialiang and Mr. Xu Xiaofeng, jointly and severally) undertook to LEO that:

- (i) the Audited NOP of Zhiqu for FY2016 shall be not less than RMB58,000,000 (the “**2016 Target NOP**”);
- (ii) the Audited NOP of Zhiqu for FY2017 shall be not less than RMB75,400,000 (the “**2017 Target NOP**”); and
- (iii) the Audited NOP of Zhiqu for FY2018 shall be not less than RMB98,020,000 (the “**2018 Target NOP**”).

The Vendors and LEO agreed that the amount of Adjustment (the “**Adjustment Amount**”) for each Guaranteed FY shall be settled by the Vendors in the following order:

- (i) firstly, by the consideration shares allotted and issued to Mr. Xu Jialiang and Mr. Xu Xiaofeng, in proportion to the consideration shares allotted and issued to them (the “**Xu’s Shares**”);
- (ii) if the Xu’s Shares shall be insufficient to settle the relevant Adjustment Amount, secondly, in cash by Mr. Xu Jialiang and Mr. Xu Xiaofeng in proportion to the cash consideration received by them (the “**Xu’s Cash**”);
- (iii) if Mr. Xu Jialiang and Mr. Xu Xiaofeng have not fully compensated LEO, thirdly, by the consideration shares allotted and issued to the Group (the “**Jixiang’s Shares**”);
- (iv) if the Xu’s Shares, the Xu’s Cash and the Jixiang’s Shares shall be insufficient to settle the relevant Adjustment Amount, fourthly, in cash by the Group, which is subject to a cap of RMB25,510,009 (the “**Jixiang’s Cash**”); and
- (v) if the Xu’s Shares, the Xu’s Cash, the Jixiang’s Shares and the Jixiang’s Cash shall be insufficient to settle the relevant Adjustment Amount, finally, in cash by Mr. Xu Jialiang and Mr. Xu Xiaofeng to settle the balance.

Upon the end of each Guaranteed FY and the issue of the special audit report of Zhiqu for FY2018, LEO shall engage qualified auditors to conduct asset impairment test and issue a report in respect of any asset impairment. Where the asset impairment of Zhiqu as reflected in such report shall be more than the total Adjustment Amount compensated by the Vendors to LEO, the Vendors shall compensate LEO a sum equal to the difference between such asset impairment and the Adjustment Amount then compensated by the Vendors to LEO, which shall be settled first by the consideration shares (the value of which shall be calculated by multiplying such number of consideration shares with the issue price), with payment of cash to settle the balance (if any). All liabilities of the Group under the Performance Compensation Agreement shall at all times be capped at the total consideration received by it.



Based on a special audit report of Zhiqu for FY2016 published by LEO on 30 August 2017, the Audited NOP of Zhiqu for FY2016 amounted to RMB32,239,594.87, which is less than the 2016 Target NOP. Accordingly, the Adjustment Amount for FY2016 shall be RMB83,931,144.53 and shall be settled by 18,166,915 Xu's Shares (the "**FY2016 Compensation**"). The Group is not required to pay any compensation to LEO in respect of the Audited NOP of Zhiqu for FY2016.

As disclosed in LEO's announcement dated 31 August 2017, Mr. Xu Jialiang and Mr. Xu Xiaofeng shall pay additional compensation which comprises (i) an aggregate of 21,993,909 LEO's shares to LEO; and (ii) cash in the aggregate amount of RMB80,000,000 to Zhiqu, on or before 31 December 2017 (the "**Additional Compensation**"). According to LEO's announcement dated 19 December 2017, such shares were returned to LEO for distribution to its shareholders in December 2017.

Based on a special audit report of Zhiqu for FY2017 published by LEO on 14 December 2018, the Audited NOP of Zhiqu for FY2017 amounted to RMB36,689,479.02, which is less than the 2017 Target NOP. Accordingly, the Adjustment Amount for FY2017 shall be RMB126,124,504.45 and shall be settled by 3,821,856 Xu's Shares and Xu's Cash in the amount of RMB108,467,529.73 (the "**FY2017 Compensation**") taking into consideration the Additional Compensation. However, as disclosed in the Company's announcement dated 15 March 2019, according to LEO's announcement dated 15 March 2019, given that the 3,821,856 Xu's Shares were not sufficient to settle the FY2017 Compensation and Mr. Xu Jialiang and Mr. Xu Xiaofeng were unable to provide the Xu's Cash in the amount of approximately RMB108,468,000, in accordance with the settlement mechanism above, the FY2017 Compensation shall be settled by 23,477,822 Jixiang's Shares and the Group shall also return the cash dividend in the amount of approximately RMB506,000 received from LEO to an account designated by LEO.

As disclosed in the announcement of the Company dated 29 April 2019, on 29 April 2019, the Group received a letter from the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) ("**SHIAC**") that LEO had commenced arbitration proceedings against the Group to pursue the settlement of the portion of the FY2017 Compensation that Mr. Xu Jialiang and Mr. Xu Xiaofeng were unable to satisfy (the "**Unsettled FY2017 Compensation**"). As at 31 December 2018, the Company has been preliminarily advised by its legal advisers as to the laws of the PRC that the Group should have a good chance to argue in such arbitration proceeding that the demand from LEO for settlement of the Unsettled FY2017 Compensation should not be upheld. The hearing of the arbitration proceeding was held on 24 September 2019 before a panel of three arbitrators.

According to the announcement of LEO dated 8 November 2019, based on the special audit report in respect of the Audited NOP of Zhiqu for FY2018, the Audit NOP of Zhiqu for FY2018 amounted to RMB7,701,500, which is less than the 2018 Target NOP.

According to the announcement of LEO dated 3 December 2019, in view of the Audited NOP of Zhiqu for FY2018 being RMB7,701,500, the Adjustment Amount for FY2018 shall be RMB402,738,466.59 accordingly. The Adjustment Amount for FY2018 shall be settled by the Xu's Shares, and where such shares are insufficient, by the Xu's Cash received by Mr. Xu Jialiang and Mr. Xu Xiaofeng. Given that Mr. Xu Jialiang and Mr. Xu Xiaofeng no longer hold any consideration shares, they will be required to compensate LEO in cash. LEO will issue a demand notice for compensation to Mr. Xu Jialiang and Mr. Xu Xiaofeng after the compensation proposal in respect of the Adjustment Amount for FY2018 has been approved by the shareholders of LEO. If Mr. Xu Jialiang and Mr. Xu Xiaofeng do not settle the Adjustment Amount for FY2018 in full within 30 days after the issue of the demand notice, the Group will be required to settle the Adjustment Amount for FY2018 by 45,779,220 Jixiang's Shares that it holds and, if such shares are insufficient, by Jixiang's Cash. In addition, the Group will also be required to return the cash bonus in relation to the Jixiang's Shares that it has received from LEO, the amount of which as determined in accordance with the amount of compensation that the Group is required to pay. If there is still a shortfall in the settlement of the Adjustment Amount for FY2018, Mr. Xu Jialiang and Mr. Xu Xiaofeng, who are jointly liable for such settlement, will be required to compensate LEO in cash. LEO will seek approval from its shareholders in respect of the above compensation proposal.

As disclosed in the announcement of the Company dated 6 December 2019, on 6 December 2019, the Group received a letter from SHIAC indicating that it has approved LEO's application (the "**Application**") to make the following amendments (the "**Amendments**") to certain demands made by LEO against the Group in relation to the settlement of the Unsettled FY2017 Compensation:

- (i) the transfer of 45,779,220 Jixiang's Shares (instead of 23,477,822 Jixiang's Shares) held by the Group to LEO;
- (ii) if the Group is unable to transfer the entire 45,779,220 Jixiang's Shares (instead of 23,477,822 Jixiang's Shares) to LEO, the shortfall shall be compensated to LEO by way of cash; and
- (iii) the return of the cash bonus in the amount of approximately RMB989,000 (instead of approximately RMB506,000) in relation to the 45,779,220 Jixiang's Shares (instead of 23,477,822 Jixiang's Shares) by the Group to LEO.

In the Application, further to the above amendments, LEO also demands the Group to pay LEO (i) cash compensation in the amount of approximately RMB25,510,000; and (ii) an amount which is calculated from the date of the Application, based on the amount of unsettled compensation due from the Group to LEO times the one-year loan prime rate published on 21 October 2019 as authorised by the People's Bank of China (i.e. 4.20% per annum), as compensation for the loss suffered by LEO.

It is stated in the Application that the Amendments are proposed taking into consideration that (i) the Audited NOP of Zhiqu for FY2018 as reported in the special audit report in respect of the Audited NOP of Zhiqu for FY2018 amounting to approximately RMB7,702,000, is less than the 2018 Target NOP (i.e. RMB98,020,000); and (ii) any party in breach of the Performance Compensation Agreement shall be liable for damages caused to the parties not in default. It is stated in the letter that the Group shall provide rebuttal opinion on evidence in respect of the supplemental information attached to the Application (“**Rebuttal**”) within five working days after the receipt of the letter.

On 10 December 2019, the Group has instructed its PRC legal adviser to provide the Rebuttal and an objection to the Application (the “**Objection**”) to the SHIAC. In the Objection, the Group requested the SHIAC to reject the Application, taking into account that (i) the Application was made too late, which would severely affect the normal process of the arbitration; and (ii) the inclusion of the compensation for the Adjustment Amount for FY2018 into the amended demands under the Application would complicate the case and cause delay to the arbitration proceedings, and more importantly, the LEO’s claims against the Group in relation to the Adjustment Amount for FY2018 are subject to (a) the LEO’s claims against Mr. Xu Jialiang and Mr. Xu Xiaofeng after the shareholders of LEO have given their approval of the related compensation proposal; and (b) the failure of Mr. Xu Jialiang and Mr. Xu Xiaofeng to settle the 2018 Adjustment Amount in full within 30 days after the issue of the demand notice by LEO.

On 19 December 2019, LEO issued a letter to Mr. Xu Jialiang and Mr. Xu Xiaofeng demanding the settlement of the Adjustment Amount for FY2018. In response to the demand letter issued by LEO on 19 December 2019 as mentioned above, Mr. Xu Jialiang and Mr. Xu Xiaofeng informed LEO in writing on 20 December 2019 that they were unable to pay the Adjustment Amount for FY2018 due to their financial difficulties. If Mr. Xu Jialiang and Mr. Xu Xiaofeng do not settle the Adjustment Amount for FY2018 in full within 30 days after the issue of the demand letter, the Group will be required to settle the Adjustment Amount for FY2018 by way of the 45,779,220 Jixiang’s Shares that it holds and, if such shares are insufficient, by way of cash, which is subject to a cap of approximately RMB25,510,000 (being the amount of cash consideration received by the Group in relation to the Zhiqu Disposal). In addition, the Group will also be required to return the cash dividend in relation to the Jixiang’s Shares that it has received from LEO, the amount of which as determined in accordance with the amount of compensation the Group is required to pay. If there is still a shortfall in the settlement of the Adjustment Amount for FY2018, Mr. Xu Jialiang and Mr. Xu Xiaofeng, who are jointly liable for such settlement, will be required to compensate LEO in cash. As set out in LEO’s announcement dated 14 January 2020, LEO has sought approval from its shareholders in respect of the proposal to repurchase and cancel the 45,779,220 Jixiang’s Shares held by the Group as partial settlement of the Adjustment Amount for FY2018.

As disclosed in the announcement of the Company dated 8 February 2021, the Group received the arbitral awards (the “**Arbitral Awards**”) issued by the SHIAC in respect of the demands made by LEO against the Group in relation to the settlement of the Unsettled FY2017 Compensation and the Adjustment Amount for FY2018, the details of which are as follows:

- (i) the Group shall transfer 45,779,220 Jixiang’s Shares it holds to LEO and assist LEO with matters relating to the acquisition and cancellation of such shares;
- (ii) if the Group is unable to transfer the entire 45,779,220 Jixiang’s Shares to LEO within 45 days from 5 February 2021 (i.e. the date on which the Arbitral Awards were issued by the SHIAC (the “**Award Date**”)), the shortfall shall be compensated by the Group to LEO by way of cash, the amount of which shall be calculated using the following formula: Amount of cash compensation to be paid to LEO =  $A \times 16.17/3.5$

A, being the number of Jixiang’s shares in shortfall;

- (iii) the Group shall pay to LEO (a) cash compensation in the amount of RMB9,626,612.92 (the “**Cash Compensation**”); and (b) damages. The amount of which shall be calculated using the following formula: Amount of cash damages to be paid to LEO =  $9,626,612.92 \times 3.85\%/365 \times B$

B, being the number of days from 4 December 2019 to the date on which the Cash Compensation is fully paid by the Group to LEO;

- (iv) the Group shall return the cash bonus in the amount of RMB987,523.17 to LEO;
- (v) the Group shall pay to LEO RMB500,000 of the legal fees incurred by LEO as a result of the disputes with the Group over the settlement of the Unsettled FY2017 Compensation and the Adjustment Amount for FY2018 (the “**Disputes**”); and
- (vi) the Group and LEO shall bear 70% and 30% of the arbitration fees incurred to settle the Disputes, respectively. Given that LEO has fully settled the entire amount of the arbitration fees of RMB1,632,434, the Group shall pay 70% of such fees (i.e. RMB1,142,703.80) to LEO.

The Arbitral Awards set out above are final and they shall be performed by the Group within 45 days from the Award Date.

On 20 October 2021, the Shenzhen Stock Exchange issued a disciplinary action advance notification (the “**Notification**”) to Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng, indicating that (i) Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng had breached Rules 1.4, 2.3 and 11.11.1 of the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange (November 2018 Revision)\* (深圳證券交易所股票上市規則 (2018年11月修訂)) (the “**Shenzhen Listing Rules**”) and Rule 1.3 of the Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board (2015 Revision)\* (深圳證券交易所中小企業板上市公司規範運作指引 (2015年修訂)), given that (a) Mr. Xu Jialiang and Mr. Xu Xiaofeng failed to fully compensate LEO in accordance with the Performance Compensation Agreement; and (b) Jixiang did not pay the compensation of RMB221 million to LEO in accordance with the arbitration judgement made by the SHIAC, whereas Zhiqu’s audited net operating profit after tax and other prescribed adjustments for the financial years ended 31 December 2016, 2017 and 2018 were less than RMB58,000,000, RMB75,400,000 and RMB98,020,000, respectively; and (ii) the Shenzhen Stock Exchange intends to impose the disciplinary action of the circulation of a criticism notice on Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng, pursuant to Rule 17.2 of the Shenzhen Listing Rules and Rule 27 of the Standards of the Shenzhen Stock Exchange for Imposition of Disciplinary Action on Listed Companies (for Trial Implementation)\* (深圳證券交易所上市公司紀律處分實施標準 (試行)).

According to the Notification, if Jixiang, Mr. Xu Jialiang and Mr. Xu Xiaofeng fail to submit their statements and pleadings in writing and evidence in relation to the matters set out in the Notification to the Shenzhen Stock Exchange by 27 October 2021, they would be deemed to have waived their rights to make their statements and pleadings.

As at the date of this announcement, no such written statements and pleadings and evidence have been submitted by Jixiang to the Shenzhen Stock Exchange.

Details of the Notification are set out in the announcement of the Company dated 21 October 2021.

The Group is in the course of seeking legal advice on the above matter. The Company will keep the Shareholders and potential investors informed of any further material developments in connection with the above matter by way of further announcement(s) as and when appropriate.

Details of the Zhiqu Disposal and the calculation of the Adjustment Amount for each Guaranteed FY are set out in (i) the announcements of the Company dated 8 December 2015, 11 January 2016, 29 February 2016, 20 May 2016, 5 July 2016, 5 September 2016, 7 September 2016, 31 August 2017, 14 December 2018, 15 March 2019, 9 April 2019, 29 April 2019, 8 November 2019, 3 December 2019, 6 December 2019, 10 December 2019, 27 December 2019 and 8 February 2021; and (ii) the circular of the Company dated 11 February 2016.

\* For identification purpose only



## LITIGATION AND CLAIMS

The Group was involved in the following legal proceedings and claims:

- (a) On 19 December 2017, Ever Robust Holdings Limited (“**Ever Robust**”), an indirect wholly-owned subsidiary of the Company, received a writ of summons with a statement of claim (the “**Writ**”) issued in the Court of First Instance of the High Court of Hong Kong (the “**Court**”) by Convoy Global Holdings Limited (“**Convoy**”), Convoy Collateral Limited (the “**Second Plaintiff**”) and CSL Securities Limited (the “**Third Plaintiff**”, together with Convoy and the Second Plaintiff, collectively as the “**Plaintiffs**”) against, among other defendants, Ever Robust (together with the other defendants, collectively as the “**Defendants**”).

Based on the Writ, the orders sought by the Plaintiffs against Ever Robust are as follows: (i) Convoy sought an order as against, among others, Ever Robust, that the allotment of the shares in Convoy by Convoy to, among others, Ever Robust on 29 October 2015, be set aside; (ii) the Second Plaintiff and the Third Plaintiff sought an order that the financing facilities granted by them, including the loan (the “**Convoy Loan**”) in the amount of HK\$129,000,000 granted to Ever Robust by the Second Plaintiff on 9 November 2015, and the margin loan (the “**Margin Loan**”) granted to Ever Robust by the Third Plaintiff which amounted to HK\$67,574,473 as at 29 March 2016, be rescinded; and (iii) the Plaintiffs sought against, among others, Ever Robust for (a) general or special damages; (b) interests; (c) costs; and (d) further and/or other reliefs (the “**Convoy Proceedings**”). As at 19 December 2017, Ever Robust had fully repaid the Convoy Loan and the Margin Loan and did not hold any shares in Convoy.

On 6 March 2018, a case management conference hearing was held before the Honourable Mr. Justice Harris on the Convoy Proceedings. On 9 July 2018, Ever Robust has received an amended writ of summons and an amended statement of claim (the “**Amended Statement of Claim**”). Pursuant to the Amended Statement of Claim, the reliefs sought by the Plaintiffs against Ever Robust are amended as follows: (i) a declaration and order as against among others, Ever Robust, that the allotment of the shares in Convoy by Convoy to, among others, Ever Robust, on 29 October 2015, is null and void, or has been rescinded and set aside (as sought by Convoy); (ii) an account of profits and an order for payment of any sums found to be due, equitable compensation to be assessed, and/or damages to be assessed for breach of fiduciary, common law and/or statutory duties, dishonest assistance, unlawful means conspiracy and/or lawful means conspiracy, as against, among others, Ever Robust (as sought by Convoy); (iii) an order against, among others, Ever Robust, for an account of profits and an order for payment of any sums found to be due, equitable compensation to be assessed, and/or damages to be assessed for breach of fiduciary, common law and/or statutory duties, dishonest assistance, unlawful means conspiracy and/or lawful means conspiracy (as sought by the Second Plaintiff and the Third Plaintiff); and (iv) against, among others, Ever Robust, for (a) general or special damages; (b) interests; (c) costs; and (d) further and/or other reliefs (as sought by all the Plaintiffs).

On 27 July 2018, Ever Robust received a sealed order (the “**Order**”) dated 28 June 2018 against, among other Defendants, Ever Robust, in which 11 parties are ordered to join the proceedings as additional defendants. Pursuant to the Order, it is further ordered, among other matters, as to between the Plaintiffs and Ever Robust (among certain other Defendants), that the Plaintiffs do have leave to file and serve the Amended Statement of Claim.

On 30 November 2018, Ever Robust received a copy sealed order dated 1 November 2018 against, among other defendants, Ever Robust, in which a party is ordered to join the proceedings as an additional defendant.

On 10 December 2018, Ever Robust filed its defence (the “**Defence**”) to the Plaintiff’s claim in the Convoy Proceedings with the Court. Pursuant to the Defence, Ever Robust avers that the Plaintiffs are not entitled to any relief against Ever Robust in the Convoy Proceedings.

On 30 August 2019, Ever Robust filed its amended Defence pursuant to the order of Hon Harris J dated 12 July 2019.

Further details of the Convoy Proceedings are set out in the Company’s announcements dated 19 December 2017, 1 June 2018, 7 June 2018 and 25 July 2018.

After seeking the legal opinion, the Group considered that there was no assessed monetary claim by Plaintiffs and it is premature to give opinion on the probable outcome and estimate the ultimate liability.

- (b) On 2 January 2018, Ever Robust received a petition (the “**Petition**”) issued in the Court by Zhu Xiao Yan (the “**Petitioner**”) against, among other respondents, Ever Robust. Based on the Petition, the Petitioner has held and continues to hold 3,234,000 shares in Convoy since around mid-2015, and the Petitioner sought the following orders against, among others, Ever Robust: (i) a declaration that the placement of 3,989,987,999 shares in Convoy by Convoy to, among other placees, Ever Robust, and/or such placed shares are void ab initio and of no legal effect or, alternatively, be set aside; (ii) damages for dilution of the Petitioner’s shareholding; (iii) interest; (iv) such further or other relief and all necessary and consequential directions as the Court may think fit; and (v) costs (the “**Zhu Proceedings**”). As at 2 January 2018, Ever Robust did not hold any shares in Convoy.

On 6 March 2018, a case management conference was held on the Zhu Proceedings, in which the Honourable Mr. Justice Harris made an order that the Zhu Proceedings be stayed with liberty to restore, pending the outcome of the Convoy Proceedings.

Further details of the Zhu Proceedings are set out in the Company’s announcement dated 2 January 2018.

The Group has sought preliminary opinion on the above legal proceedings from its solicitors (or legal adviser) in Hong Kong, who, based on the information available as of the date of this announcement, is of the opinion that:

- there is no assessed monetary claim except the Plaintiffs’ claim and the Petitioner’s claims against Ever Robust for damages to be assessed;
  - it is premature to give opinion on the probable outcome; and
  - it is premature to estimate the ultimate liability.
- (c) The litigation, among others, the Group and LEO in relation to the Zhiqu Disposal. Further details are set out in the paragraph headed “Disposal of Zhiqu” in this announcement.
- (d) During the years ended 31 December 2018 and 2019, a subsidiary of the Company (the “**Borrower**”) had breached the covenant of a loan (the “**Loan**”) in the original principal amount of RMB79,868,600 granted by Essence Securities Co., Limited (the “**Lender**”), which is secured by certain of the listed securities. On 17 January 2020, the Borrower received the summons (the “**Summons**”) issued by the Lender, as plaintiff, in Shenzhen Intermediate People’s Court (the “**SZ Court**”) against the Borrower as defendant. Pursuant to the Summons, the Lender demands the SZ Court to order the Borrower to: (i) repay to the Lender the outstanding principal amount of the Loan in the sum of approximately RMB70,893,000 (equivalent to approximately HK\$79,216,000); (ii) pay to the Lender interest at the rate of 6% per annum accrued on the outstanding principal amount of the Loan in the sum of approximately RMB70,893,000 (equivalent to approximately HK\$79,216,000) from 20 June 2019 to the date of repayment; (iii) pay to the Lender liquidated damages at the daily rate of 0.03%, including liquidated damages on the outstanding interest in the sum of approximately RMB1,042,000 (equivalent to approximately HK\$1,164,000) from 16 September 2019 to the date of repayment and liquidated damages on the principal from 19 June 2018 to the date of repayment; (iv) pay to the Lender its legal costs in making the claims in the sum of RMB76,000 (equivalent to approximately HK\$85,000); (v) use the proceeds from the realisation of certain of the listed securities pledged by the Borrower (the “**Pledged Assets**”) through discounting, sale or auction firstly to repay to the Lender the outstanding amount of the Loan, the interest, the liquidated damages and the legal costs; and (vi) bear all the litigation costs such as case acceptance fees and security fee of this case. As per the Summons, the aggregate amount of the claims under (i) to (iv) up to 18 November 2019 amounted to approximately RMB85,186,000 (equivalent to approximately HK\$95,187,000).



On or around 20 November 2020, the Borrower received the judgement (the “**Judgement**”) issued by the SZ Court in relation to the Summons, pursuant to which:

- (1) the Borrower shall within ten days after the Judgement becoming effective, repay to the Lender (a) the outstanding principal amount of the Loan in the sum of approximately RMB71 million and interest on the outstanding principal amount of the Loan (consisting of (i) interest in the amount of approximately RMB1 million accrued from 20 June 2019 to 16 September 2019; and (ii) interest at the rate of 6% per annum accrued on the outstanding principal amount of the Loan in the sum of approximately RMB71 million from 16 September 2019 to the date of repayment); (b) liquidated damages at the daily rate of 3/10,000 on the outstanding interest in the sum of approximately RMB1 million payable from 16 September 2019 to the date of repayment; and (c) liquidated damages at the daily rate of 3/10,000 on the outstanding principal amount of the Loan (consisting of (i) liquidated damages in the amount of approximately RMB1 million payable from 19 June 2019 to 19 August 2019; and (ii) liquidated damages on the outstanding principal amount of the Loan in the sum of approximately RMB71 million payable from 19 August 2019 to the date of repayment);
- (2) the Lender shall have the right to the Pledged Assets as a chargee and the priority to be compensated with the proceeds from the realisation of the Pledged Assets through discounting, auction or sale; and
- (3) out of the litigation costs (consisting of case acceptance fees and security fee) in the aggregate amount of approximately RMB473,000, approximately RMB465,000 and approximately RMB8,000 shall be borne by the Borrower and the Lender, respectively.

Save for the above, the orders the Lender demanded the SZ Court to make against the Borrower in the Summons were rejected by the SZ Court.

Further details of the Summons and the Judgment are set out in the Company’ announcements dated 18 January 2020 and 20 November 2020.

As set out on page 43 in this announcement, the Group completed the TH Disposals on 3 March 2021 and 10 March 2021 to partially repay the loan and the liabilities owed to the Lender under the Loan as required by the Judgment.

- (e) As set out in the paragraph headed “Business and Financial Review” in this announcement, the CL Borrower and the CL Lender entered in the CL Loan Agreement for the CL Loan, which was secured by the CL Mortgaged Shares.

The CL Loan became mature on 4 September 2021 and on 27 September 2021, the Group received letters from the legal representatives of the CL Lender that owing to CL Borrower’s failure to repay the CL Loan and the interest accrued thereon, the CL Lender has initiated legal proceedings (i) against the CL Borrower and the Company for, among other things, repayment of the CL Loan and the interest accrued thereon; and (ii) to obtain the court order/judgment for transfer of the CL Mortgaged Shares to the CL Lender or the buyer nominated by the CL Lender pursuant to the CL Share Mortgage.

On 3 November 2021, the Company received a letter from the legal representatives of the CL Lender that a hearing in relation to the litigation is scheduled to be heard by the High Court of Hong Kong (the “**High Court**”) on 10 December 2021 (the “**Hearing**”) and the orders or directions the CL Lender intends to seek at the Hearing include, among others, (i) the CL Borrower do pay the CL Lender the sum of HK\$31,541,095.89, being the outstanding principal and interest calculated up to 20 September 2021 and interest on the sum of HK\$30,000,000.00 at the rate of 5% per annum from 21 September 2021 until payment; and (ii) the CL Lender is at liberty to sell the CL Mortgaged Shares and apply the sales proceeds towards satisfaction and/or reduction of the sums due under the CL Loan.

At the Hearing, the Master of the High Court determined that the originating summons (the “**Originating Summons**”) served by the CL Lender as the plaintiff of the litigation to the CL Borrower and the Company as the defendants were defective and irregular mainly due to the CL Lender’s failure to serve the Originating Summons to the appropriate address of the CL Borrower and the Company respectively. Accordingly, the CL Lender was granted leave to withdraw the Originating Summons.

On 16 December 2021, the Group received a letter from the legal representatives of the CL Lender that owing to the CL Borrower’s failure to repay the CL Loan and the interest accrued thereon, the CL Lender has exercised its rights pursuant to the terms of the CL Share Mortgage and executed an instrument of transfer to transfer the CL Mortgaged Shares to the CL Lender on 14 December 2021, which resulted in the Forced Sale.

Prior to the Forced Sale, the CL Borrower was owned as to 51% by the Company and 49% by CL the Lender. Upon the Forced Sale, the CL Mortgaged Shares are no longer beneficially owned by the Company and the CL Borrower Group have ceased to be subsidiaries of the Company and the financial results of the CL Borrower Group have ceased to be accounted for in the consolidated financial statements of the Group. As a result of the Forced Sale, the Group recorded a gain on disposal of a subsidiary of approximately HK\$79,013,000.

Further details of the Hearing and the Originating Summons are set out in the Company’s announcements dated 27 September 2021, 3 November 2021 and 13 December 2021.

The Group has made provisions for the above legal proceedings except for items (a), (b) and (e) above as the Group is not able to reliably assess the amount of potential liabilities under the cases in items (a) and (b) above and the Forced Sale was completed on 14 December 2021 for item (e). The Company will, in accordance with the applicable laws, make every effort to protect the interests of the Company and the Shareholders, proactively respond to the above cases and defend its position vigorously. The Company will closely monitor the development of the above matters and make further announcements if and when there are any significant developments in relation to each of these legal proceedings.

## **CONTINGENT LIABILITIES**

Save as disclosed in the paragraph headed “Litigation and claims” in this announcement, as at 31 December 2021, the Group did not have any material contingent liabilities (2020: Nil).

## **EMPLOYEES’ REMUNERATION POLICIES**

As at 31 December 2021, the Group had approximately 300 employees (2020: 6,200). The significant decrease in the number of employees as at 31 December 2021 as compared with that as at 31 December 2020 was mainly due to the Forced Sale. Staff costs (including the Directors’ salaries, allowances and bonuses totaled approximately HK\$1,503,898,000 for the year under review (2020: HK\$965,257,000), of which approximately HK\$1,347,001,000 (2020: HK\$852,871,000) was included in the cost of services. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training.

Remuneration of employee is determined by reference to industry practices and performance, qualifications and experience of individual employees.

The emolument policies of the Directors are decided by the Board, taking into account the recommendations of the remuneration committee of the Board, having regard to merit, qualifications and competence of the Directors.

On top of regular remuneration, discretionary bonus and share options may be granted to employees and the Directors by reference to the Group’s performance as well as individual performance of such employees and/or Directors, and other benefits including contributions to pension scheme and medical scheme are also provided to the employees.

The Company adopted the share option scheme pursuant to an ordinary resolution of all the then Shareholders passed on 4 June 2020, and the Board is authorised, at its absolute discretion, to grant options to eligible participants including any eligible employee, any directors (including non-executive directors and independent non-executive directors) of the Company, any subsidiary of the Company or any invested entity; any supplier of goods or services to any member of the Group or any invested entity, any customer of any member of the Group or any invested entity, any person or entity that provides research, development or other technological support to any member of the Group or any invested entity, any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, any professional adviser, consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. There was no share option outstanding as at 31 December 2021 (2020: Nil).

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

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE PRACTICE**

The Company is committed to achieving and upholding good corporate governance practices that promote greater transparency and quality of disclosure as well as more effective internal control.

During the year under review, the Company adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules then in force as its code of corporate governance. The Company complied with all the Code Provisions then in force throughout the year ended 31 December 2021.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors, that the Directors have complied with the required standard of dealings and its code of conduct regarding the Directors' securities transactions during the year ended 31 December 2021.

## **FINAL DIVIDEND**

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

## REVIEW OF THE UNAUDITED ANNUAL RESULTS

The Group's unaudited consolidated results for the year ended 31 December 2021 have been reviewed and agreed by the audit committee of the Board. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have not been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited (“**Auditors**”). An announcement relating to the Group's audited results for the year ended 31 December 2021 will be published when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

## DELAY IN PUBLICATION OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The preliminary financial results of the Group for the year ended 31 December 2021 have not been agreed by the Auditors as a result of the delay in the auditing process of the Company's subsidiary in Indonesia, TNG Indompet, given that there have been a number of confirmed cases of COVID-19 among the staff of TNG Indompet and the local auditor of TNG Indompet.

It is therefore expected that more time will be required to complete the audit work of the Group's consolidated financial statements and there will be a delay in the publication of audited annual results announcement of the Group for the year ended 31 December 2021 and the despatch of the Company's annual report for the year ended 31 December 2021.

Based on preliminary agreement with the Auditors and having considered the current progress of the audit work, it is currently expected that, barring unforeseen circumstances, the audit of the final results for the year ended 31 December 2021 will be completed in April 2022. The Company currently expects that the audited annual results announcement of the Group and the annual report of the Company for the year ended 31 December 2021 will be published by 29 April 2022.

**The financial information for the year ended 31 December 2021 disclosed above has yet to be audited and agreed with the Auditors. the Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

On behalf of the Board  
**Hang Tai Yue Group Holdings Limited**  
**Ng Ting Ho**  
*Chairman*

31 March 2022

*As at the date of this announcement, the Board comprises (i) one non-executive Director, namely Mr. Ng Ting Ho, (ii) two executive Directors, namely Ms. Lam Ching Yee and Mr. Fong Chak Kiu; and (iii) three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Chan Ming Kit and Mr. Tong Hin Sum Paul.*