



# South China Financial Holdings Limited 南華金融控股有限公司

Incorporated in Hong Kong with limited liability  
Stock Code : 00619



## ANNUAL REPORT **2021**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ng Hung Sang (Chairman)  
Ms. Cheung Choi Ngor (Vice Chairman)  
Ms. Ng Yuk Mui Jessica  
(Executive Vice Chairman and Chief Executive Officer)

### Independent Non-executive Directors

Hon. Raymond Arthur William Sears, Q.C.  
Mrs. Tse Wong Siu Yin Elizabeth  
Mr. Tung Woon Cheung Eric

## AUDIT COMMITTEE

Mr. Tung Woon Cheung Eric  
(Chairman of the Committee)  
Hon. Raymond Arthur William Sears, Q.C.  
Mrs. Tse Wong Siu Yin Elizabeth

## REMUNERATION & NOMINATION

### COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth  
(Chairman of the Committee)  
Hon. Raymond Arthur William Sears, Q.C.  
Mr. Tung Woon Cheung Eric

## COMPANY SECRETARY

Mr. Watt Ka Po James

## REGISTERED OFFICE

28th Floor  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

## AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd  
China CITIC Bank International Limited  
China Construction Bank (Asia) Corporation Limited  
Chiyu Banking Corporation Ltd.  
Chong Hing Bank Limited  
CIMB Bank Berhad  
Dah Sing Bank, Limited  
DBS Bank (Hong Kong) Limited  
Fubon Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China (Asia)  
Limited  
Nanyang Commercial Bank, Limited  
OCBC Wing Hang Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation  
Limited

## SHARE REGISTRAR AND TRANSFER

### OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

## STOCK CODE

00619

## WEBSITE

<http://www.sctrade.com>

# Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

## FINANCIAL SUMMARY

The consolidated revenue of the Group increased from HK\$89.5 million for the year ended 31 December (the "Year") 2020 to HK\$106.9 million for the Year of 2021. The improvement in revenue of 19.4% was mainly attributable by the improvement of trading and investment sector with gain on disposal of investments of HK\$2.3 million recorded for year of 2021 versus net revenue loss of HK\$25.9 million for the Year 2020.

On the cost front, the Group continued to strictly apply disciplined cost controls during the Year 2021. Total other expenses, including direct cost of services, staff salaries and benefits, rental and other administrative and office expenses amounted to HK\$156.0 million (2020: HK\$226.2 million), a drop of 31.1%.

The Group's consolidated loss for the year amounted to HK\$77.5 million (2020: HK\$268.6 million) of 2021, representing a year-on-year improvement of 71.1%.

## DIVIDEND

No interim dividend was paid (2020: Nil). The board of directors (the "Board") of the Company does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## BUSINESS REVIEW

2021 was the second year of the world's continued efforts battle against the COVID-19 pandemic. With the worldwide launch vaccination programme and re-opening of borders, economic activities around the world resumed and gradually recovered in the first half of 2021. The fast-spreading COVID-19 Omicron variant swept across the globe in the later half of 2021, again causing widespread economic and social disruptions and slow down of the global market recovery.

Despite the uncertainty of the business environment, our Group has continued to move forward with progressive improvement in its business units' operating results and financial performance.

## Broking

The daily Hong Kong stock market turnover increased year-on-year by 29%, from HK\$129.5 billion in 2020 to HK\$166.7 billion in 2021, while funds raised in the IPO market decreased year-on-year by 18%, from HK\$400.1 billion in 2020 to HK\$328.8 billion in 2021. Given keen competition in Hong Kong brokerage business and aggressive pricing strategy from the competitors, the Group's brokerage commission income decreased by approximately 25.7% to HK\$21.6 million (2020: HK\$29.1 million). Operating loss increased correspondingly to HK\$17.5 million for the Year 2021 (2020: HK\$12.5 million). The Group launched digital marketing campaigns since early year 2021 with progress results in capturing both a broader clientele base and a wider geographical market.

## Chairman's Statement and Management Discussion and Analysis

### Margin Financing and Money Lending

Due to the low interest rate environment and squeezing of interest spread and the overall decline in fund raised in Hong Kong IPO market, interest income generated was HK\$17.3 million for the Year 2021 (2020: HK\$18.5 million), representing a slight decline of approximately 6.6%. With effective cost controls, operating loss for this segment has been improved and amounted to HK\$4.4 million (2020: HK\$5.4 million).

### Asset and Wealth Management

This business segment recorded more than 100% increment in revenue of HK\$3.0 million for the Year 2021 (2020: HK\$1.4 million). With the aim of strengthening and further development of our wealth management services, the Group allocated more resources during the year, which in turn lead to an operating loss of HK\$8.2 million. Wealth management services include the provision of advisory services and products to high-net-worth client, such as bonds, unit trust funds, financial-structured products and insurance-related products. Revenue growth momentum picked up in the second half through the expansion of our wealth management team, although such has not been fully reflected in Year 2021. The Group will continue to allocate its resources for expanding its talent team, in order to build the assets under management of the Group, and turn around the performance of this segment in Year 2022.

### Corporate Advisory and Underwriting

Owing to closed borders and limited business travel, corporate advisory business also sluggish. Minimal revenue was recognised in this segment for the Year 2021 (2020: HK\$5.9 million). Immediate action was taken to streamline the operations and operating loss decreased substantially by approximately 89.7% to HK\$1.2 million when compared to HK\$11.7 million for the corresponding year of 2020.

### Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK\$261.0 million as at 31 December 2020 to HK\$208.2 million as at 31 December 2021. The major investments holding and their fair value gains or losses are listed below:

Stock code	Name of security	Carrying amount as at 31 December 2021 HK\$'000	Percentage of shareholding interest	Fair value gain/(loss) during the year HK\$'000
00413	South China Holdings Company Limited	37,674	3.56%	(30,167)
00670	China Eastern Airlines Corporation Limited	40,589	0.27%	(5,797)
01097	i-CABLE Communications Limited	32,506	6.51%	3,250
01033	Sinopec Oilfield Service Corporation	29,913	0.85%	1,663
Others		67,491		7,781
		208,173		(23,270)

## Chairman's Statement and Management Discussion and Analysis

The Group has positioned the investment portfolio for medium to long term growth in traditional industries, the fair value loss resulting from marking investments to market was HK\$23.3 million for the Year 2021 (2020: HK\$42.3 million). Meanwhile, the Group recognised a net realised gain of HK\$2.3 million for the Year 2021 as compared with a loss of HK\$28.4 million for the corresponding period of 2020.

### Media publications and financial public relation services

The business environment for the media sector has similarly faced a challenging environment under the ongoing impacts of COVID-19. Inevitably this has caused a noted reduction in advertising spending across most sectors especially in first half of 2021. During this time, we have re-prioritised resources towards the development and strengthening of our core print, digital assets as well as the provision of integrated marketing services, with the aim to build influential media brands, under a cost-efficient model.

With the focused business strategies, total revenue for first half of Year 2021 amounted to HK\$9.3 million and saw a significant upsurge to HK\$13.7 million in the second half year 2021. Total revenue for the Year 2021 amounted to HK\$23.0 million (2020: HK\$24.0 million). On the cost side, with the implementation of internal cost restructuring over the past 2 years, the operating loss of the media segment was significantly reduced from HK\$109.2 million for the Year of 2020 to HK\$18.1 million for Year 2021.

### Property investment

A revaluation gain of HK\$0.2 million was recorded for the Year 2021 as opposed to revaluation loss of HK\$24.0 million for the same period in 2020, while the fair value of the investment properties revalued at HK\$526.2 million as at 31 December 2021. The gross rental income for the Year 2021 decreased to HK\$9.2 million (2020: HK\$12.1 million) due to the widespread disruption caused by the outbreak of COVID-19.

### Jewellery

Due to the epidemic of COVID-19 became relatively stable in Mainland China in 2021, sales of jewellery products increased by approximately 29.5% to HK\$29.5 million for the Year 2021 (2020: HK\$22.8 million). Operating loss remained marginal at around HK\$0.2 million (2020: HK\$0.4 million).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from various banks. The banking facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The outstanding credit facilities were guaranteed by the Company. The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings and convertible bonds, less cash and bank balances. Capital represents total equity. The gearing ratio as at 31 December 2021 was approximately 47.4% (2020: 45.7%). The Group had a cash balance of HK\$90.3 million as at 31 December 2021, representing an increase of 3.3% from the year end date of 2020. The Group had sufficient working capital base to meet its operational needs.

# Chairman's Statement and Management Discussion and Analysis

## **CAPITAL STRUCTURE**

There was no material change in Group's capital structure during the Year as compared to the most recent published annual report.

## **USE OF PROCEEDS UPDATE**

### **Use of Proceeds of the issuance of convertible bonds ("CB")**

With reference to the announcement dated 30 June 2020 and the circular to shareholders dated 15 May 2020, the net proceeds arising from the issuance of CB of HK\$49.6 million were used in the following ways: (1) HK\$26.5 million was used for the increase in the Group's liquid capital under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong); and (2) HK\$23.1 million was used for general working capital, including HK\$3.2 million in marketing and promotion; HK\$4 million in repayment of mortgage loans and HK\$15.9 million in administrative expenses, such as employees' salaries and rental expenses. There were no unutilised proceeds as at 31 December 2021.

## **CHARGES ON ASSETS**

As at 31 December 2021, the Group's investment properties, certain inventories and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no material contingent liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

There is no material event noted after the reporting year ended.

## **EMPLOYEES**

As at 31 December 2021, the total number of employees of the Group was 146 (2020: 137). Employee's cost (including directors' emoluments) amounted to approximately HK\$47.5 million for the year (2020: HK\$46.0 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized external training are offered to employees. Continuous professional training will continue to be arranged for those staff who are registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Selected employees may also be granted share option and share award under the share option scheme and share award scheme adopted by the Company.

# Chairman's Statement and Management Discussion and Analysis

## PROSPECTS

With the emergence of Omicron variant and possible subsequent variants of the Coronavirus, it is expected that Year 2022 will be full of challenges and uncertainties. Apart from the pandemic, evolving global political and economic landscapes, geopolitical tensions of the Russia-Ukraine conflict, the US-China trade war, rising inflation and a necessity for higher interest rates, render the external financial and business environment more complex and uncertain.

### Financial Services

#### *Brokerage*

For the Group's core business prospects, with continued fierce competition of market players that offer attractive incentives for account opening and customers' interests switching to alternative markets such as the US equity market, our 2021 margin financing and brokerage performance was hindered. The Group's year 2022 strategies for margin financing and brokerage revenue may include:

- (i) Exploring the US and global equity broking and margin finance customers to diversify our client equity trading appetite;
- (ii) Reinforcing marketing campaigns to expand our customer base in terms of border and a geographic reach to encompass younger generation; and
- (iii) Exploring further improvement on "SCTrade" apps and trading infrastructure for enhanced customer experience.

#### *Wealth management*

The Group's wealth management team has expanded significant in the last quarter of Year 2021. A new brand, "SC Private" will be launched in the second quarter of Year 2022 as the Group positions itself to activate and serve the needs of the high net worth segment. Together with the broking business, the Group's financial services business will be further strengthened and diversified, in providing a broader breadth of services to existing clientele and new clientele, including but not limited to, equity stocks, unit trust funds, bonds, equity-linked products and other structured products, insurance brokerage, premium financing and other advisory services, to widen the Group's revenues sources.

#### *Media*

Media business continues to evolve from traditional print platform into a fully integrated print + digital + events platform, providing extensive marketing and branding offerings to our clients. We will continue to effectively invest in our core brands Capital, JESSICA and Marie Claire, with the aim to extend beyond the local market and community, to the Greater Bay Area and Greater China markets.

We shall continue to (i) proactively expand our client base through business development and cooperation opportunities, (ii) enhance our digital platforms and creative product offerings, (iii) build and grow our clientele and audience base, (iv) strengthen our corporate marketing efforts to maintain and grow solid and long term customer relationships, and (v) maximise value in review and reform of pricing policies.

## Chairman's Statement and Management Discussion and Analysis

We believe that the media business will continue to improve, subsequent to the stabilisation of the impact of COVID-19 variants in Hong Kong. The 2022 events and campaign pipeline includes, amongst others: "CAPITAL Outstanding Enterprise Awards", "35th Anniversary of CEO x Entrepreneur", "JESSICA Most Successful Women Award 2022", "Marie Claire Prix d'Excellence de la Beaute Awards". In line with an overall strategy to focus on investing in high-growth and technology-centric sectors, we will review our strategies critically from time to time. We now maintain a much lighter and fluid cost structure, allowing us to move forward with more flexibility and respond to market changes and needs in a timely manner.

Despite the challenges ahead, our experience accumulated in Hong Kong and China for more than 30 years, shall enable us to encounter and overcome them, to bring our shareholders noteworthy return over time. The Group will continue to make developments on the business front, including the strengthening of our senior management team and business transformations. We expect 2022 to continue to be volatile for both the financial and media markets. Nevertheless, we believe that in the long run we are poised for capturing new opportunities to improve our business, product and service suite.

### **ENVIRONMENTAL POLICIES**

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also promote the services of e-statement to our clients which help to reduce on paper usage.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

### **RELATIONSHIPS WITH KEY STAKEHOLDERS**

#### **Employees**

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly import. The Group continues to be an attractive employer for recognizing and reward the contribution of the employees to the growth and development of the Group through various incentive means.

#### **Customers**

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

# Chairman's Statement and Management Discussion and Analysis

## Suppliers

We firmly believe that our suppliers are equally important in building high-quality business. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

## Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

## POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its business, financial condition, operations and prospects based on its risk management and internal control systems and considered that the major risks and uncertainties that may affect the Group include (i) fluctuations of fair value gain or loss on financial assets, foreign exchange and investment properties; (ii) changes in market interest rates may expose the Group to high interest expense on its net debt obligations carrying floating interest rates; (iii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy; and (iv) the uncertainties of fiscal, political and monetary policy developments would contribute partly to the high volatility of global markets which may directly affect the performance of the Group. In response to the above mentioned possible risks, the Group has a series of risk mitigation controls and risk management policies to cope with the possible risks and has serious scrutiny over the selection of quality customers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and respond to risk effectively and promptly.

## APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

**Ng Hung Sang**

*Chairman*

Hong Kong, 11 April 2022

# Directors' Biographical Details

## EXECUTIVE DIRECTORS

**Mr. Ng Hung Sang**, aged 72, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. He also holds several directorships in certain subsidiaries of the Group. He holds a Master's degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 7 December 1988. He is the father of Ms. Ng Yuk Mui Jessica, an Executive Director, the Executive Vice Chairman and Chief Executive Officer of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Ms. Cheung Choi Ngor**, aged 68, is an Executive Director, the Vice Chairman and a member of the Executive Committee of the Company. She is also an executive director, the vice chairman and the co-chief executive officer of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange and an executive director of South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. She also holds several directorships in certain subsidiaries of the Group. She holds a Master's degree in business administration from University of Illinois in the United States of America. She is a member of 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 December 1988.

**Ms. Ng Yuk Mui Jessica**, aged 43, is an Executive Director, the Executive Vice Chairman, Chief Executive Officer and a member of the Executive Committee of the Company. She is also a non-executive director of South China Holdings Company Limited and i-CABLE Communications Limited, both being listed on the Main Board of the Stock Exchange and an executive director and the executive vice chairman of South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. She is the executive vice chairman of South China Media Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 12 November 2015. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a substantial shareholder of the Company.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Hon. Raymond Arthur William Sears, Q.C.**, aged 89, is an Independent Non-executive Director, a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is a retired High Court Judge and holds a Master's degree in Law from Cambridge University in the United Kingdom. He became a Queen's Counsel in 1975 and was a former vice-chairman of the Judicial Section of the International Bar Association. In the United Kingdom, he had been a leading Counsel in England to the Government and large Authorities on redevelopment and construction projects and to the General Medical Council. In 1986 and 1987, he was a Justice of the Supreme Court of Hong Kong and the Commissioner to the Sultan of Brunei, respectively. From 1994 to 1999, he was a Senior Civil High Court Judge. He was appointed as a Director of the Company on 24 March 2000.

**Mrs. Tse Wong Siu Yin Elizabeth**, aged 64, is an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committee of the Company. She is also an independent non-executive director of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. She is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the vice convenor of the Environmental Services Industry of Employees Retraining Board and a member of the judge panel of Hong Kong Flower Show. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor's degree of Science from the University of Western Ontario in Canada. She was appointed as a Director of the Company on 25 November 1992.

**Mr. Tung Woon Cheung Eric**, aged 51, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is an executive director, the chief financial officer and company secretary of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange; an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange, the chief financial officer of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and the company secretary of Biosino Bio-Technology and Science Incorporation, a company listed on GEM of the Stock Exchange. He graduated from York University, Toronto, Canada with a bachelor's honours degree in administrative studies. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a U.S. Certified Public Accountant of The American Institute of Certified Public Accountants. He was appointed as a Director of the Company on 21 September 2004.

# Directors' Report

The directors (the “Directors”) of South China Financial Holdings Limited (the “Company”) have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021.

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company is an investment holding company. The principal activities of the subsidiaries consist of securities, commodities and bullion, broking and trading, margin financing and money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment, media publications and financial public relation services, sales of jewellery products and investment holding.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the possible risks and uncertainties to which the Group is facing and an indication of likely future developments in the Group’s business, can be found in the section headed “Chairman’s Statement and Management Discussion and Analysis” in this annual report. This discussion forms part of this Directors’ Report.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The board of Directors (the “Board”) has overall responsibility for the Group’s environmental, social and governance (“ESG”) strategy and reporting. The Board is responsible for the Group’s ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group’s environmental policies and performance are contained in the section headed “Environmental, Social and Governance Report” in this annual report.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the financial statements on pages 60 to 172 of this annual report.

No interim dividend was paid (2020: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **DIVIDEND POLICY**

The Company has adopted a dividend policy (the “Dividend Policy”), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the “Shareholders”).

### **Objectives**

The Dividend Policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the Shareholders.

It is the policy of the Company to distribute its net profits by way of dividends to the Shareholders after retaining adequate reserves for future growth as return to the Shareholders' investment.

### **Basic Criteria**

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Hong Kong laws and the Company's Articles of Association.

### **Form of Dividend**

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

### **Approval of Dividend**

The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by the Shareholders of the Company in general meetings.

### **Approval of the Dividend Policy**

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. In the event of any amendment of any provision of the Dividend Policy, it shall be reviewed and commented by the Audit Committee and then all such reviewed and commented amendments shall be submitted to the Board for consideration and approval.

## Directors' Report

### **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER**

Annual General Meeting of the Company will be held on Tuesday, 21 June 2022 (the “AGM”). The register of members of the Company will be closed from Wednesday, 15 June 2022 to Tuesday, 21 June 2022, both days inclusive, during which period no share transfer will be registered. To be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates of the Company must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 14 June 2022. The notice of the AGM will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

### **DISTRIBUTABLE RESERVES**

As at 31 December 2021, the Company has no reserves available for distribution.

### **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on pages 173 and 174 of this annual report.

### **SHARE CAPITAL AND EQUITY-LINKED AGREEMENT**

Details of movements in the ordinary shares, share options and share awards (if any) of the Company during the year are set out in notes 35, 36 and 24 to the financial statements.

Save as disclosed under the section headed “Share Option Scheme” and “Employee's Share Award Scheme”, no equity-linked agreements were entered into during the year or subsisted at the ended of the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year ended 31 December 2021, the aggregate turnover attributable to the Group's five largest customers and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of the total turnover and purchases, respectively, for the year.

### **DIRECTORS**

The Directors during the year and up to the date of this Directors' Report were:

#### **Executive Directors:**

Mr. Ng Hung Sang (Chairman)

Ms. Cheung Choi Ngor (Vice Chairman)

Ms. Ng Yuk Mui Jessica (Executive Vice Chairman and Chief Executive Officer)

#### **Independent Non-executive Directors:**

Hon. Raymond Arthur William Sears, Q.C.

Mrs. Tse Wong Siu Yin Elizabeth

Mr. Tung Woon Cheung Eric

A full list of the name of the directors of the Group's subsidiaries can be found on the Company's website at [www.sctrade.com](http://www.sctrade.com).

In accordance with article 116 of the Articles of Association of the Company, Mr. Ng Hung Sang and Hon. Raymond Arthur William Sears, Q.C. will retire from office by rotation, and being eligible, offer themselves for re-election at the AGM. Save as disclosed, all other remaining Directors continue in office.

### **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from each of the Independent Non-executive Directors, namely Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric, and considers all the Independent Non-executive Directors to be independent.

### **DIRECTORS' BIOGRAPHIES**

Biographical details of the Directors up to the date hereof are set out in the section headed "Directors' Biographical Details" in this annual report.

### **DIRECTORS' SERVICE CONTRACTS**

No directors proposed for re-election at the AGM has an unexpired service contract with the Company and/or its subsidiaries, which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

## Directors' Report

### DIRECTORS' REMUNERATION

The remuneration payable to each of Executive Directors was determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the Non-executive Directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his or her own remuneration.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of each Director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO) (including interests and short positions which the Director or chief executive of the Company was taken or is deemed to have under such provisions of the SFO or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follow:

#### Long positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares/underlying shares				Total	Approximate percentage of shareholding to total issued ordinary shares (Note 3)
		Personal interests	Family interests	Corporate interests	Convertible bonds		
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner/ Interests of controlled corporations	11,133,264	–	77,328,343 (Note 1)	227,272,727 (Note 2)	315,734,334	104.80%
Ms. Cheung Choi Ngor	Beneficial owner	12,300,311	–	–	–	12,300,311	4.08%
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse	–	53,000	–	–	53,000	0.02%

Notes:

1. The 77,328,343 shares of the Company held by Mr. Ng through controlled corporations included 23,526,030 shares held by Fung Shing Group Limited ("Fung Shing"), 44,623,680 shares held by Parkfield Holdings Limited ("Parkfield"), 1,999,872 shares held by Ronastar Investments Limited ("Ronastar") and 7,178,761 shares held by Uni-spark Investments Limited ("Uni-spark"). Fung Shing, Parkfield and Ronastar are directly wholly-owned by Mr. Ng. Uni-spark is indirect wholly-owned by Mr. Ng.
2. Total Grace Investments Limited is a company wholly-owned by Mr. Ng which holds the convertible bonds issued by the Company in the principal amounts of HK\$50,000,000. Assuming (i) the conversion right under the convertible bonds are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace Investments Limited, representing approximately 75.44% as at 31 December 2021 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
3. As at 31 December 2021, there were 301,277,070 ordinary shares in issue.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company and their respective associates had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

### SHARE OPTION SCHEME

The Company adopted a share option scheme in June 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the above scheme are unlisted. Further details of the abovementioned share option scheme are disclosed in note 36 to the financial statements.

Apart from those listed below, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the 2012 Share Option Scheme during the year ended 31 December 2021.

Details of the 2012 Share Option Scheme are set out in note 36 to the financial statements.

## Directors' Report

### **EMPLOYEES' SHARE AWARD SCHEME**

On 10 June 2015, the Company adopted the Company's employees' share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as an incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and the conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK\$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or GEM of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

During the year ended 31 December 2021, no shares were granted to an employee of the Group.

### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the section "Share Option Scheme", at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

### **RETIREMENT SCHEMES**

Details of the retirement schemes of the Group are set out in note 2.4 to the financial statements.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Details of transactions during the year between the Group and other companies in which a Director has beneficial interests are set out in note 42 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **MANAGEMENT CONTRACT**

The Company did not enter into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

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

As at 31 December 2021, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons (other than Directors and chief executive of the Company) had or deemed or taken to have an interest or a short position in the shares and/or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### Long position in the ordinary shares and underlying shares

Name	Capacity	Beneficial interests	Family interests	Corporate interests	Total number of ordinary shares and underlying shares held/interested	Approximate percentage of shareholding to total issued ordinary shares (Note 5)
Ms. Ng Lai King Pamela	Interest of spouse	–	315,734,334 (Note 1)	–	315,734,334	104.80%
Parkfield Holdings Limited (Note 2)	Beneficial owner	44,623,680	–	–	44,623,680	14.81%
Fung Shing Group Limited (Note 3)	Beneficial owner	23,526,030	–	–	23,526,030	7.81%
Total Grace Investments Limited (Note 4)	Beneficial owner	227,272,727	–	–	227,272,727	75.44%

#### Notes:

- Ms. Ng Lai King Pamela is the spouse of Mr. Ng Hung Sang ("Mr. Ng"). By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 88,461,607 shares and 227,272,727 underlying shares which Mr. Ng is interested in.
- Parkfield Holdings Limited is a company wholly-owned by Mr. Ng.
- Fung Shing Group Limited is a company wholly-owned by Mr. Ng.
- Total Grace Investments Limited is a company wholly-owned by Mr. Ng which holds the convertible bonds issued by the Company in the principal amounts of HK\$50,000,000. Assuming (i) the conversion right under the convertible bonds are exercised in full; and (ii) there is no other change to the total number of issued Shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace Investments Limited, representing approximately 75.44% as at 31 December 2021 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- As at 31 December 2021, there were 301,277,070 ordinary shares in issue.

## Directors' Report

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 31 December 2021, there was no person (other than a Director or chief executive of the Company) or deemed or taken to have who had an interest or a short position in the shares and/or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

The Company and South China Assets Holdings Limited (“SCAH”), the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022, have certain common directors. SCAH and its subsidiaries are principally engaged in (i) property development and property project management services in the PRC; (ii) financial services (subsidiaries of SCAH are holding licences for types 1, 2, 4 and 9 regulated activities under the SFO, and providing money lending services under Money Lenders Ordinance, Chapter 163 of the laws of Hong Kong) in Hong Kong; and (iii) the manufacturing and sale of medical face masks and related products.

Mr. Ng Hung Sang (“Mr. Ng”), Ms. Cheung Choi Ngor (“Ms. Cheung”) and Ms. Ng Yuk Mui Jessica (“Ms. Jessica Ng”), the Executive Directors, are also the executive directors of SCAH.

Mr. Ng is also the chairman of the board and controlling shareholder of SCAH. Ms. Cheung is one of the directors and substantial shareholders of a controlled corporation of Mr. Ng which holds 10.29% interest in SCAH directly and 9.74% indirect interest in SCAH through its wholly-owned subsidiary as at 31 December 2021. Mr. Ng together with his associates hold 64.92% interest in SCAH as at 31 December 2021.

The Group undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio while SCAH is in the course of diversifying into the financial services businesses.

The above-mentioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or are likely to compete with each other and, therefore, do not control the board of each of the Company and SCAH as far as a transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCAH and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCAH. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCAH is considered to be relatively remote.

### CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest interim report up to the date of this Annual Report are set out below:

1. Mr. Tung Woon Cheung Eric, an independent non-executive director of the Company has been appointed as the chief financial officer of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange with effect from 1 July 2021.
2. With effect from 1 November 2021, Ms. Jessica Ng's monthly salary was increased from HK\$140,000 to HK\$200,000.
3. SCAH, the issued share of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022 of which Mr. Ng is an executive director and the chairman, Ms. Cheung is an executive director and Ms. Jessica Ng is an executive director and the executive vice chairman of SCAH.

### INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgement is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year and up to the date of this report.

### CONNECTED AND RELATED PARTY TRANSACTION

Save as disclosed in this annual report, during the year ended 31 December 2021, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## Directors' Report

### **CORPORATE GOVERNANCE**

The corporate governance principles and practices are set out in the Corporate Governance Report in this annual report.

### **AUDITOR**

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Ng Hung Sang**

Chairman

Hong Kong, 11 April 2022

# Corporate Governance Report

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the “Shareholders”). Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

## **MODE CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as its code of conduct regarding the directors’ securities transaction. In addition, the board of directors (the “Board”) of the Company has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Company, its subsidiaries or its securities.

Specific enquiries were made to all executive directors (the “Executive Directors”), non-executive directors (the “Non-executive Directors”) and independent non-executive directors (the “Independent Non-executive Directors”) of the Company (collectively, the “Directors”) who confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2021 except Mr. Ng Hung Sang (“Mr. Ng”), the chairman of the Board and an Executive Director of the Company, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric, both are Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 22 June 2021 as they had other business engagements, which deviated from code provisions E.1.2 and A.6.7 of the CG Code.

# Corporate Governance Report

## **CORPORATE GOVERNANCE FUNCTIONS**

The Board delegated the responsibilities of the corporate governance functions to the Audit Committee for compliance with the requirements of the CG Code. Under the terms of reference of the audit committee of the Company (the “Audit Committee”), it is responsible for carrying out at least the following:

1. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of the Directors and senior management (if any);
3. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
5. to review the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

During the year ended 31 December 2021 and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

## **BOARD OF DIRECTORS**

The Board is responsible for the overall leadership and control of the Company and its subsidiaries (collectively, the “Group”), and is collectively responsible for promoting the Group’s success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Group. Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the “Executive Committee”) which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee (the “Remuneration and Nomination Committee”) have been established with their respective specific written terms of reference.

The chairman of the Board (the “Chairman”) has encouraged all Directors to make a full and active contribution to the Board’s affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board’s consensus.

Every Director was given sufficient time and attention to the Group’s affairs during the year ended 31 December 2021.

The Company has arranged the Directors appropriate insurance coverage in respect of any legal action against any of them.

During the year under review, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

### **Composition of the Board**

The composition of the Board during the year ended 31 December 2021 and up to the date of this report is as follows:

#### **Executive Directors**

Mr. Ng Hung Sang (*Chairman*)

Ms. Cheung Choi Ngor (*Vice Chairman*)

Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman and Chief Executive Officer*)

#### **Independent Non-executive Directors**

Hon. Raymond Arthur William Sears, Q.C.

Mrs. Tse Wong Siu Yin Elizabeth

Mr. Tung Woon Cheung Eric

The biographical details of the Directors and the relevant relationships amongst them, if any, are set out in section headed "Directors' Biographical Details" of this annual report. The Company has maintained updated list of Directors identifying their roles and functions and whether they are Independent Non-executive Directors on the websites of the Stock Exchange and the Company. Independent Non-executive Directors are also identified in all corporate communications that disclose the names of Directors of the Company.

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgment effectively.

# Corporate Governance Report

## Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman throughout the year, who is responsible for providing leadership and management of the Board apart from taking primary responsibility for ensuring good corporate governance practices and procedures are established. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentrating of power in any one individual. Ms. Cheung Choi Ngor, the vice chairman and Ms. Ng Yuk Mui Jessica, the executive vice chairman, have taken up the role of chief executive, who are responsible for the day-to-day management of the business of the Group.

The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

## Board Diversity

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy (the “Board Diversity Policy”) since August 2013. Under the Board Diversity Policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

### **Board and Board Committee Meetings**

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda for the regular Board meeting. Agenda and Board papers are sent to all Directors at least three (3) days before the date on which each regular Board meeting (or other agreed period).

Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association").

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are circulated to the Board or Board committees for comments and records respectively within a reasonable time after each meeting is held.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interests of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

# Corporate Governance Report

## Attendance at Board Meetings

Four (4) Board meetings, two (2) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting and one (1) annual general meeting (“AGM”) were held during the year ended 31 December 2021. The attendance records of all Directors for these meetings are set out below:

Name of Directors	Number of meetings attended/ Number of meetings eligible to attend			
	Board Meeting	Audit Committee Meeting	Remuneration and Nomination Committee Meeting	AGM (Note)
<b>Executive Directors</b>				
Mr. Ng Hung Sang (Chairman)	2/4	N/A	N/A	0/1
Ms. Cheung Choi Ngor (Vice Chairman)	4/4	N/A	N/A	1/1
Ms. Ng Yuk Mui Jessica (Executive Vice Chairman and Chief Executive Officer)	4/4	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>				
Hon. Raymond Arthur William Sears, Q.C.	4/4	2/2	1/1	0/1
Mrs. Tse Wong Siu Yin Elizabeth	4/4	2/2	1/1	1/1
Mr. Tung Woon Cheung Eric	4/4	2/2	1/1	0/1

Note:

AGM was held on 22 June 2021.

N/A: not applicable

## Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company’s expense. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company’s senior management pertaining to matters to be brought before the Board or Board committee for the decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on the information provided voluntarily by the Company’s senior management, such Director has the right to separately and independently access to the Company’s senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

### **Appointments and re-election of Directors**

All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three (3) years, subject to re-election.

Pursuant to the Articles of Association, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following AGM after his appointment (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

All Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three (3) years.

Pursuant to Code Provision A.4.3, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Hon. Raymond Arthur William Sears, Q.C. ("Mr. Sears"), Mrs. Tse Wong Siu Yin Elizabeth ("Mrs. Tse") and Mr. Tung Woon Cheung Eric ("Mr. Tung") have served as an Independent Non-executive Directors of the Company for more than nine years, (i) the Board has assessed and reviewed their annual confirmation of independence under Rule 3.13 of the Listing Rules and affirmed that all of them remains independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Mr. Sears, Mrs. Tse and Mr. Tung; and (iii) the Board considers that Mr. Sears, Mrs. Tse and Mr. Tung remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Despite the length of service of Mr. Sears, Mrs. Tse and Mr. Tung, the Company believes that they will continue to make their independent judgements in all related matters for the benefit of the Company and the Shareholders as a whole.

### **Independent Non-executive Directors**

During the year ended 31 December 2021, the Board all the time met the requirements of the Listing Rules of having at least three (3) Independent Non-executive Directors, and the number of which representing at least one-third of the Board, with at least one (1) of them possessing appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The views of the Independent Non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise independent judgment, make decisions and act objectively in the interests of the Company and the Shareholders as a whole.

## Corporate Governance Report

The Company has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

During the year under review, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and also reviewing their effectiveness to safeguard the interests of shareholders, customers and employees, and the Group's assets. Such systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives of the Group, and can only provide reasonable, but not absolute assurance against material misstatement or loss.

#### **Process used to Identify, Evaluate and Manage Significant Risks**

The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides a confirmation to the Board on the effectiveness of these systems. Management, under the supervision of the Board, has established an on-going process for developing a group risk register, identifying, evaluating and managing the significant risks faced by the Group. This process includes enhancing the risk management and internal control systems from time to time in response to the changes of business environment or regulatory requirements.

Management assists the Board in the implementation of the Group's policies and procedures, and limits within the Board's approved risk appetite by identifying and assessing the significant risks faced, and designing, operating and monitoring internal control measures to mitigate these risks. Management reviews the adequacy and effectiveness of risk management and internal control systems on an on-going basis and report to the Board at least twice a year on significant risks identified, particularly new or changing risks, risk levels and corresponding risk mitigation measures. The review covers all material controls, including financial, operational and compliance controls. The Board also reviews the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

#### **Internal Audit Function**

The Internal Audit Department checks for compliance with statutory or regulatory requirements, internal policies and procedures, and reviews the work flows for ensuring their efficiency and effectiveness. It also formulates audit plan periodically, agrees the same with the Audit Committee and highlights any significant findings and recommendations to the Audit Committee and the Board. The audit plan covers key controls of the major business units on a rotation basis. The Internal Audit Department also conducts ad-hoc reviews in light of concerns expressed by management or the Audit Committee from time to time. The Audit Committee performs on-going review of the internal audit function with particular emphasis on the scope and quality of the audit works and independence of the function.

The Board has received a confirmation from management on the adequacy and effectiveness of the Group's risk management and internal control systems and is satisfied that these systems are in place for the year under review. No significant control failings or material deficiencies have been identified during the year and thus do not result in unforeseen outcomes or contingencies that may in the future have a material impact on the Group's financial performance or condition.

### **Handling and Dissemination of Inside Information**

The Company regulates the handling and dissemination of inside information as set out in the Policy on Disclosure of Inside Information to ensure compliance with the disclosure obligations under the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance. Director, manager, secretary, or any other persons involved in the management of the Company who become aware of any inside information should promptly bring it to the attention of the Company Secretary of the Company who will assess the likely impact of any event that may impact the price or trading volume of the shares of the Company and decide whether the relevant information is considered as inside information which is required to be disclosed as soon as reasonably practicable.

### **RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Board should present a balanced, clear and understandable assessment in the annual, interim and quarterly reports of the Company and other financial disclosures required under the Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2021. In preparing the financial statements for the year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the Independent Auditor's Report from pages 53 to 59 of this annual report.

## Corporate Governance Report

### AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor of the Company for the year ended 31 December 2021 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to HK\$2,380,000 and HK\$861,600 respectively. The non-audit services were related to tax advisory and independent assessment services.

### AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr. Tung Woon Cheung Eric (Chairman of the Audit Committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

The principal roles and functions of the Audit Committee include but are not limited to:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. to develop and implement policy on engaging an external auditor to supply non-audit services;
4. to monitor the integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, and the members of the Audit Committee should liaise with the Board and the Company's senior management (if any) and the Audit Committee must meet with the Company's external auditor at least twice a year;
5. to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's risk management and internal control systems;
6. to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems;
7. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
8. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

9. to review the financial and accounting policies and practices of the Group;
10. to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response;
11. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and
12. to review the Company's compliance with the CG Code and disclosures in the corporate governance report.

During the year under review, the Audit Committee met with the Company's senior management and the external auditor twice, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following major works:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.
2. Reviewed the appointment and remuneration of Messrs. Ernst & Young, the external auditor of the Company and its non-audit services provided to the Group.
3. Reviewed the audit plans, scopes, methods and reporting formats proposed by Messrs. Ernst & Young.
4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.
5. Reviewed the interim and annual financial statements, reports, and results announcement of the Group for the year under review prior to publication.
6. Reviewed the internal audit reports on risk management and internal control system.
7. Reviewed the Company's policies and practices on corporate governance.
8. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

## Corporate Governance Report

There were two (2) private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2021.

### **REMUNERATION AND NOMINATION COMMITTEE**

The Board has established the Remuneration and Nomination Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Remuneration and Nomination Committee currently consists of three (3) Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (chairman of the Remuneration and Nomination Committee), Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric.

The principal roles and functions of the Remuneration and Nomination Committee include but are not limited to:

#### **Remuneration function**

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and the senior management's (if any) remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objective;
3. to determine, with delegated responsibility, the remuneration packages of individual Executive Director and the senior management (if any). This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of Non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to Executive Directors and senior management (if any) for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. to ensure that no Director or any of his associates is involved in deciding his own remuneration;

### **Nomination function**

9. to review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
10. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
11. to assess the independence of the Independent Non-executive Directors;
12. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and
13. to monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy, as appropriate and make relevant recommendations to the Board for consideration and approval.

During the year under review, the Remuneration and Nomination Committee had performed the following major works:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.
2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).
3. Reviewed the Group's remuneration policy.
4. Reviewed the structure, size and diversity of the Board.
5. Reviewed the confirmation of independence by the Independent Non-executive Directors.
6. Reviewed the re-election of the retiring Directors at the AGM held on 22 June 2021.
7. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee may consult with the Chairman about its proposals relating to the remuneration of other executive Directors.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration of market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

## Corporate Governance Report

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

### **NOMINATION POLICY**

#### **Objectives**

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee of the Company to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

#### **Selection Criteria**

The Remuneration and Nomination Committee shall consider a number of the factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

1. reputation for integrity;
2. balance of skill, experience, expertise and personal qualities that will be the best complement of the relevant business sectors of the Company and the overall effectiveness of the Board;
3. capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;
4. diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;
5. compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules of the Stock Exchange for the appointment of an independent non-executive director; and
6. any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

#### **Nomination Procedures**

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.

2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.
3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.
4. The Board shall observe its Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.
5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.
6. Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if considered appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

### **Monitoring and Review and Amendment of this Policy**

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.
2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

# Corporate Governance Report

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director should receive a formal, comprehensive and tailored induction on appointment for ensuring that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable statute and common law, the Listing Rules, legal and other regulatory requirements as well as the Company's business and governance policies.

All Directors are provided with regular updates on the performance and financial position of the Group to enable the Board as a whole and each Director to discharge their duties. In addition, updates on the latest developments regarding the Listing Rules and other applicable regulatory requirements are provided to each Director to ensure compliance and enhance his awareness of good corporate governance practices.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills for ensuring that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, the types of training received by the Directors during the year ended 31 December 2021 are summarized as follows:

	Types of Training	
	Attending seminars/ E-training/ conferences and/ or similar events	Reading materials and updates
<b>Executive Directors</b>		
Mr. Ng Hung Sang (Chairman)	X	✓
Ms. Cheung Choi Ngor (Vice Chairman)	X	✓
Ms. Ng Yuk Mui Jessica (Executive Vice Chairman and Chief Executive Officer)	X	✓
<b>Independent Non-executive Directors</b>		
Hon. Raymond Arthur William Sears, Q.C.	X	✓
Mrs. Tse Wong Siu Yin Elizabeth	✓	✓
Mr. Tung Woon Cheung Eric	X	✓

### **COMPANY SECRETARY**

Mr. Watt Ka Po James (“Mr. Watt”) has been appointed as the company secretary of the Company (the “Company Secretary”) pursuant to Rule 3.28 of the Listing Rules.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

### **COMMUNICATION WITH SHAREHOLDERS**

The Company uses general meeting, annual report, interim report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company’s affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

Annual general meeting is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the annual general meeting, a separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the annual general meeting ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of annual general meeting is distributed to the Shareholders at least twenty (20) clear business days prior to the annual general meeting. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the annual general meeting.

Executive Directors, members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor will be available to attend the annual general meeting to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of the Shareholders.

The Company has adopted a dividend policy, details of which are disclosed in the section headed “Dividend Policy” in the Directors’ Report of this annual report.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to Section 566 of the Companies Ordinance of Hong Kong, Chapter 622 (the "Companies Ordinance"). The request must state the general nature of the business to be dealt with at the meeting, and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it. Besides, Section 580 of the Companies Ordinance provides that shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders can request the Company to circulate a statement, which may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person or persons making it and received by the Company at least seven (7) days before the general meeting to which it relates.

### Procedures for Shareholders to send enquiries to the Board

The Shareholders may send their enquiries, in written form, to the Board by addressing them to the Company Secretary at the Company's registered office at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

### Procedures for putting forward proposals at a shareholders' meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the annual general meeting under the Articles of Association. The Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting in accordance with the "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there was no change in the Company's constitutional documents. The Articles of Associations of the Company are available on the websites of the Stock Exchange and the Company.

## INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The website of the Company contains the latest data and information of the Group so that the Shareholders, the investors and the public can get the information about the Company in a timely manner. The Company's website address is [www.sctrade.com](http://www.sctrade.com).

# Environmental, Social and Governance Report

The Group hereby presents this Environmental, Social and Governance (“ESG”) report for the year ended 31 December 2021 in accordance with requirements set out in Appendix 27 (Environmental, Social and Governance Reporting Guide) (“ESG Guide”) of the Listing Rules.

During the year under review, the Group continued to focus on four (4) key areas — (1) Environment; (2) Employment and Labour Practices; (3) Operation Practices; and (4) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group’s strategic plans for the purpose of driving sustainable value for the Group’s stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group’s businesses, operation location and share capital structure during the year under review. This ESG Report was approved by the board of directors.

Risk management is crucial for maintaining the Group’s stable daily operation and quick response to the changing environment. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, and formulates strategies and measures to mitigate such relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group, including those relating to ESG, which will be reviewed by the Board or any committee delegated by the Board as part of the risk management and internal control process.

The material aspects under the four (4) key areas — 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

## 1. ENVIRONMENT

### 1.1 Emission:

Environmental protection plays a crucial role for a corporation’s sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group’s operations are located. Notwithstanding the nature of business of the Group does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

#### (a) Control of emission of greenhouse gases (“GHG”):

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

## Environmental, Social and Governance Report

Paper consumption is another main source of indirect GHG emissions. The Group has continuously implemented such guides as “Energy Efficiency of Lightings, Air Conditioning and Office Machines Services Guide” and “Recycle Paper and Toner Cartridge Services Guide” to manage the efficient use of resources in the Group’s daily operations. In addition, the Group has implemented administrative measure to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged its customers to use e-statements. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the Group at regular intervals.

Emission summary:

<b>Indicators</b>	<b>2021</b>	2020	Note
Total GHG emissions (tonnes)	<b>153.26</b>	191.29	#
Direct GHG emissions (tonnes)(Scope 1):			
– Company cars <sup>1</sup>	<b>26.17</b>	10.05	
Indirect GHG emissions (tonnes)(Scope 2):			
– Electricity	<b>120.40</b>	171.54	
Other indirect GHG emissions (tonnes)(Scope 3):			
– Business travel <sup>2</sup>	<b>0.00</b>	1.43	
– Paper consumption	<b>9.10</b>	8.60	
GHG emissions avoided by recycling of used papers (tonnes)	<b>2.41</b>	0.33	

1 It is based on kilometers travelled and liters of gasoline consumed.

2 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

Note:

# Total GHG emissions decreased by approximately 20% due to reduction in consumption of electricity and business travel.

### (b) Control of production of hazardous and non-hazardous wastes:

In view of the nature of the Group’s operations, it did not generate any hazardous wastes. Areas are designated in the offices of the Group for disposal of electronic equipment. The Group will arrange an independent third party collector to collect all scrapped electronic equipment for proper treatment. Water consumption during the year under review was approximately 0 m<sup>3</sup> and the total fee paid was nil. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

## Environmental, Social and Governance Report

Waste summary:

<b>Indicators</b>	<b>2021</b>	2020
Electronic equipment (pieces)	27	0

### 1.2 Use of Resources:

- (a) Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group issued an e-notice of “Save Our World and Build our Green Office” to all employees for promoting awareness of saving of water, energy and paper at work. In addition, an office of the Group has been using LED energy saving light tubes during the year under review. The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

<b>Indicators</b>	<b>2021</b>	2020
Total energy consumption (KWh)	227,364	288,157
Direct energy consumption (unleaded petrol) (KWh)	55,556	37,891
Indirect emissions (electricity) (KWh)	171,808	250,266
Expenses on energy consumption	353,555	313,411

- (b) The Group is committed to conserving clean water. “Save Water” labels are placed in such water consumption areas as pantries and lavatories to remind employees not to waste water. As mentioned above, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge, and data in relation to volume of water consumed and discharged would not be provided for any occupants. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.
- (c) The Group engages various regulated activities, e.g. dealings in securities and futures, advising securities; margin finance and money lending; leveraged foreign exchange trading; advice on corporate finance; asset and wealth management; property investment; and media business. All businesses of the Group do not involve packaging materials.

# Environmental, Social and Governance Report

## 1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. During the year under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in office areas; and a notice of “Environmental Initiative and Cost Saving” to all staff to keep office area temperature at 25°C was issued, which would be monitored and reviewed regularly pursuant to the environmental and legal requirements.

## 2. EMPLOYMENT AND LABOUR PRACTICES

### 2.1 Employment:

“People Oriented” is the Group’s persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary for each category of the Group remains competitive. In addition, the Group is committed to compliance with the code provisions set out in Appendix 14 of the Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as “Recruitment Policy”, “Equal Opportunities and Anti-Discrimination Policy” and “Code of Conduct” have been in force.

An orientation training will be provided for all newcomers by the Human Resources Department to (a) provide basic understanding of the Group’s background, organization structures and business objectives; (b) safeguard the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and adherence to the relevant policies, systems and procedures etc.. Staff Handbook and the aforesaid policies are available in the Group’s intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

## Environmental, Social and Governance Report

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 52, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480 in Hong Kong, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602.

The Group had 146 employees as at 31 December 2021 of which 79 male and 67 female. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and turnover rate of each gender during the years of 2021 and 2020 are as follows:

**(a) Employment type and gender:**

Number of employees:	2021		2020	
	Male	Female	Male	Female
Management and Department Head	17	8	13	6
Managerial	13	11	10	11
Supervisory	11	11	5	6
General Staff	38	37	49	37
	<b>79</b>	<b>67</b>	<b>77</b>	<b>60</b>

**(b) Employees' age group and gender:**

Number of employees:	2021		2020	
	Male	Female	Male	Female
18–below 30	6	10	7	10
30–below 50	47	37	47	32
50 and over	26	20	23	18
	<b>79</b>	<b>67</b>	<b>77</b>	<b>60</b>

## Environmental, Social and Governance Report

### (c) Geographical region and gender:

Number of employees:	2021		2020	
	Male	Female	Male	Female
Hong Kong	79	63	77	56
PRC	0	4	0	4
Others	0	0	0	0

### (d) Turnover rate:

2021: The average turnover rate for the year of 2021 was about 5.30%.

2020: The average turnover rate for the year of 2020 was about 6.10%.

## 2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation.

All office premises of the Group are well-equipped with typical safety facilities, e.g. first-aid boxes, fire exits, fire extinguishers, fire detectors and sprinklers and emergency lights. In addition, employees are encouraged to participate to annual fire drill for emergency evacuation organized by the building management.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department which will report all serious injuries and occupational diseases to the Board or any committee delegated by the Board as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

## Environmental, Social and Governance Report

During the year under review, the Group did not have any work-related fatalities.

Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

<b>Number of cases and lost days:</b>	<b>2021</b>	<b>2020</b>
Number of reportable injuries <sup>1</sup>	<b>0</b>	0
Number of reportable occupational diseases <sup>2</sup>	<b>0</b>	0
Number of lost days due to reportable injuries	<b>0</b>	0
Number of lost days due to occupational diseases	<b>0</b>	0

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance.

Due to the impact of the outbreak of novel coronavirus in Hong Kong, the Company launched a business continuity plan, under which about 50% employees were arranged to work from home on alternate basis for the purpose of reducing the risk of infection amongst employees. For enhancing the sanitary of working environment for employees, the following measures are continuing in force until the coronavirus situation tapers off:

- (i) Public areas and common areas of office are clean and disinfected in a frequent manner during office hours;
- (ii) Employees are required to have a 14-day quarantine period by working from home if any infection happens in the same building of their respective residence;
- (iii) Hand sanitizers are provided at the office entrances for all employees;
- (iv) Employees are required to have a quarantine period upon return to Hong Kong from overseas countries; and
- (v) Employees are all required to put on face masks in office, and face masks will be provided upon request.

## Environmental, Social and Governance Report

### 2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued playing a key role during the year under review. The Group has arranged in-house training courses, e.g. induction orientation and on-the-job trainings, and other training courses and seminars conducted by third party providers in light of the employees' job requirements and the business objectives of the Group.

For compliance with the continuous professional training ("CPT") requirements for both corporations and persons carrying on regulated activities set out by the Securities and Futures Commission ("SFC"), the Group is committed to evaluate its training programs annually and to make commensurate adjustments, if necessary, to cater for the training needs of the relevant employees. In development of the training programs, such factors as the Group's size, organizational structure, risk management system, scope of business activities, regulatory framework and market development are taken into consideration.

For compliance with Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615, and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC, the Group provided appropriate Anti-Money Laundering and Counter-Terrorists Financing training to the relevant employees, including but not limited to introduction to the background to money laundering and terrorist financing ("AML/CTF") and the importance placed on AML/CTF by the Group to all new staff during the year under review. Annual CPT training on AML/CTF was conducted on 10 November 2021 and 30 November 2021.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfillment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

## Environmental, Social and Governance Report

Number of employees trained by employment type and gender during the years of 2021 and 2020 are as follows:

Number of employees:	2021		2020	
	Male	Female	Male	Female
Management and Department Head	4	1	6	1
Managerial	6	4	4	3
Supervisory	2	5	4	0
General Staff	19	9	39	20

Average training hours completed per employee by employment type and gender during the years of 2021 and 2020 are as follows:

Number of training hours per employee:	2021		2020	
	Male	Female	Male	Female
Management and Department Head	3.34	1.45	2.48	0.60
Managerial	3.24	0.28	5.02	2.96
Supervisory	2.75	0.75	3.72	0.00
General Staff	3.20	2.11	3.10	1.76

### 2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees are aged 18 and above. It is a standard procedure in screening stage that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible.

No child labour was hired or subsequently found in both 2021 and 2020.

## 3. OPERATION PRACTICES

### 3.1 Supply Chain Management:

The media business of the Group of which including publication of various financial related magazines is responsible for fostering all current key suppliers (a) to comply with all applicable laws and regulations in respect of their employment and operations, including occupational health and safety, environmental protection, and statutory maintenance of relevant records of documentation; (b) not to engage any corruption and take any undue advantage to obtain or retain business; (c) to protect intellectual property rights and safeguard customers' personal information; (d) not to engage any child and forced labour; and (e) not to discriminate age, gender, marital status, pregnancy, family status, race, nationality, religion and disability in employment, for the purpose of managing the supply chain in a socially and environmentally responsible manner. In the event of any violation of such business integrity as corruption or extortion, the media business group will take all appropriate actions for safeguarding its interest, including immediate termination of contract with the supplier in default.

Number of key suppliers by geographical regions during the years of 2021 and 2020 is as follows:

<b>Number of key suppliers:</b>	<b>2021</b>	<b>2020</b>
Hong Kong	1	1

### 3.2 Product Responsibility:

The Group is committed to maintain quality of its regulated activities by compliance with such prevailing guidelines and codes issued by the SFC as "Code of Conduct for Persons Licensed by or Registered with the SFC", "Corporate Finance Adviser Code of Conduct", AML Guidelines, "Fit and Proper Guidelines", "Guidelines on Competence", "Licensing Handbook" and "Guidelines on Continuous Professional Training".

To safeguard and maintain the Group's quality of service in provision of regulated activities, the Group's Compliance Department is responsible for handling all complaints (all other non-regulated service complaints, especially corruption or malpractice in nature, are handled by the Group's Internal Audit Department as more detailed set forth in paragraph 3.3 hereinbelow). Complainants may raise their complaints by means of email, facsimile, letter and telephone. The Group's Compliance Department is responsible for collection of all basic information of the complainant, including names and contact details, and the matter of complaint, and for carrying out investigation after basic review and evaluation and at the same time notifying the relevant department head. The outcome of evaluation (if no investigation is required) or of investigation will notify the complainant on a strict confidential basis.

## Environmental, Social and Governance Report

The engagement of regulated activities, property investment and media publications are not subject to any recall for safety and health reasons, and the Group did not receive complaints from clients.

With respect to the media business, the Group from time to time observes the provisions of Copyright Ordinance, Cap. 528, and respects intellectual property rights. As per the Information Technology Policy, employees are not allowed to install any unauthorized or unlicensed software into their working computers provided by the Group. Use of any materials which are in violation of the relevant law is strictly prohibited.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website ([www.sctrade.com](http://www.sctrade.com)). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

### 3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically, and zero-tolerance on any form of corruption or malpractice, such as bribery, money laundering, extortion or fraud. Anti-bribery Policy, Anti-Fraud Policy, Compliance Manual and AML Manual are the main tools for safeguarding against corruption and malpractice. In addition, Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK\$500, and no violation of any applicable laws and ethical standards. The Group Internal Audit Department is responsible for reviewing and auditing the business activities.

During the year under review, there were no confirmed incidents in relation to corruption, and no suppliers' contracts were terminated or not renewed due to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website ([www.sctrade.com](http://www.sctrade.com)). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Group Internal Audit Department, without the fear of incrimination. The Group Internal Audit Department will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Group Internal Audit Department will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on an annual basis.

# Environmental, Social and Governance Report

## 4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc.

The Company has been conferred an award of “Caring Company” logo by The Hong Kong Council of Social Services, marking the recognition of the Group’s continuous contribution to the Hong Kong community.

During the year under review, the Group (i) supported a number of charitable organizations including but not limited to YWCA; and (ii) “Food Distribution” for providing food to the disadvantaged who were in need of food aid. In addition, the Group encourages staff to participate organ donation organized by Department for Health.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicate its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. but also participates in different events to contribute positivity to the communities in which it operates.

# Independent Auditor's Report



**To the members of South China Financial Holdings Limited**  
(Incorporated in Hong Kong with limited liability)

## **OPINION**

We have audited the consolidated financial statements of South China Financial Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 60 to 172, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **KEY AUDIT MATTERS**

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

## Independent Auditor's Report

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Key audit matters

#### Impairment assessment of loans receivable and trade receivables

As at 31 December 2021, gross loans receivable and related impairment amounted to HK\$182.1 million and HK\$44.3 million, respectively; while gross trade receivables and related impairment amounted to HK\$69.0 million and HK\$6.7 million, respectively.

The measurement of expected credit losses ("ECLs") requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECLs models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.

The trade receivables included receivable balances arising from securities, foreign exchange and futures contracts trading, which were significant in size. The Group used a provision matrix to calculate ECLs, considering provision rates based on past due for groupings of various customer segments that have similar loss patterns, historical observed default rates and forward-looking estimates.

The accounting policies and disclosures about impairment of loans receivable and trade receivables are included in notes 2.4, 3, 20 and 25 to the financial statements.

### How our audit addressed the key audit matters

We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's methodologies and assumptions used for estimating the impairment of loans receivable and trade receivables. Our procedures to assess the Group's impairment included the followings:

- We tested the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into the 3 stages. Our testing included the checking to loan overdue information, loan-to-value percentage or other related information, and considering the stage classification determined by the Group.
- For loans receivable, we considered the control procedures performed by the Group over monitoring and valuation of collateral and determine whether there was any shortfall by comparing the loan outstanding with the value of collateral.
- For other unsecured loans and trade receivables, we reviewed impairment assessment performed by the Group, including the ageing analysis, subsequent settlement, reasonableness of the Group's criteria for historical default rate and forward looking elements as well as any significant increase in credit risk to be measured on a lifetime ECLs basis and qualitative assessment.

We also assessed the adequacy of the Group's disclosures in relation to credit risk.

### Key audit matters

### How our audit addressed the key audit matters

#### Valuation of investment properties

The Group owns investment properties in Hong Kong which were valued at HK\$526.2 million as at 31 December 2021. Significant judgement is required to estimate the fair value of the investment properties, to reflect the market conditions at the end of the reporting period. The market comparison approach by reference to recent sales prices of comparable properties is used in the valuation of investment properties. Management engaged an independent professionally qualified valuer to estimate the value of investment properties at the end of the reporting period.

The accounting policies and disclosures about valuation of investment properties are included in notes 2.4, 3 and 14 to the financial statements.

We evaluated the objectivity, independence and competence of the valuer. We also involved our internal valuation specialist to assist us in assessing the methodology and assumptions adopted in the valuation for estimating the fair value of the investment properties and performed benchmarking of the value of investment properties held by the Group to other comparable properties.

We also assessed the adequacy of the related disclosures in the notes to the financial statements.

# Independent Auditor's Report

## Key audit matters

### Impairment assessment of goodwill and intangible assets acquired through business combinations

As at 31 December 2021, goodwill and intangible assets, which were acquired through business combinations in the prior years, after impairment were amounted to HK\$44.9 million and HK\$5.9 million, respectively.

Impairment assessment is performed by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill and intangible assets relates. The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets.

The impairment assessment is significant to our audit due to significant estimates involved in the estimation of the value in use of the cash generating units to which the goodwill and intangible assets is allocated, including, amongst others, expected future cash flows, discount rates and growth rate.

The accounting policies, disclosures of estimation uncertainty and impairment assessment of goodwill and intangible assets are included in notes 2.4, 3, 16 and 17 to the financial statements.

### Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

## How our audit addressed the key audit matters

We assessed the key assumptions used in management's cash flow projections for impairment assessment of goodwill and intangible assets, including, amongst others, budgeted revenue, discount rate, inflation rate and growth rate, taking into consideration the historical results, market conditions and trends.

In addition, we involved our internal valuation specialist to assist us in evaluating the discount rate and terminal growth rate adopted in the value in use calculation using cash flow projections. We also assessed the adequacy of disclosures in connection with the impairment assessment of goodwill and intangible assets.

### **Responsibilities of the directors for the consolidated financial statements**

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

## Independent Auditor's Report

### **Auditor's responsibilities for the audit of the consolidated financial statements** (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Independent Auditor's Report

### **Auditor's responsibilities for the audit of the consolidated financial statements** *(Continued)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai, Cary.

### **Ernst & Young**

Certified Public Accountants  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

11 April 2022

# Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>REVENUE</b>	5	<b>106,861</b>	89,489
Other income		1,647	11,812
Fair value gain/(loss) on investment properties		200	(24,000)
Fair value loss on financial assets at fair value through profit or loss, net		(23,270)	(42,326)
Fair value gain/(loss) on convertible bonds		6,687	(7,960)
Impairment of goodwill		—	(38,599)
Impairment of loans and trade receivables, net		(5,762)	(4,360)
Other operating expenses	6	(155,958)	(226,224)
<b>Loss from operating activities</b>		<b>(69,595)</b>	(242,168)
Finance costs	8	(9,867)	(13,728)
<b>LOSS BEFORE TAX</b>	7	<b>(79,462)</b>	(255,896)
Income tax credit/(expense)	11	1,934	(12,750)
<b>LOSS FOR THE YEAR</b>		<b>(77,528)</b>	(268,646)
Attributable to:			
Equity holders of the Company		(77,234)	(268,229)
Non-controlling interests		(294)	(417)
		(77,528)	(268,646)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	12		
Basic and diluted			
— For loss for the year		(HK25.6 cents)	(HK89.0 cents)

# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	5,733	2,700
Investment properties	14	526,200	526,000
Right-of-use assets	15	4,442	5,555
Goodwill	16	44,895	44,895
Intangible assets	17	5,869	7,481
Other assets	18	7,255	6,689
Investments in associates	19	—	—
Equity investments designated at fair value through other comprehensive income	21	20,650	23,450
Debt investments at fair value through other comprehensive income	21	4,060	2,563
Long term loans receivable	20	201	2,196
Long term prepayment and deposits	26	116	437
<b>Total non-current assets</b>		<b>619,421</b>	<b>621,966</b>
<b>CURRENT ASSETS</b>			
Inventories	23	12,261	13,100
Financial assets at fair value through profit or loss	24	208,173	261,006
Loans receivable	20	137,649	238,032
Trade receivables	25	62,317	197,612
Prepayments, other receivables and other assets	26	29,550	52,345
Derivative financial instruments	27	—	505
Tax recoverable		—	238
Cash held on behalf of clients	29	452,486	524,708
Cash and bank balances	28	90,274	87,400
<b>Total current assets</b>		<b>992,710</b>	<b>1,374,946</b>

## Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CURRENT LIABILITIES</b>			
Client deposits	30	450,658	605,918
Trade payables	31	49,676	174,871
Other payables and accruals	32	62,800	37,992
Convertible bonds	34	–	57,960
Interest-bearing bank and other borrowings	33	382,100	370,720
Tax payable		203	16,434
Total current liabilities		945,437	1,263,895
<b>NET CURRENT ASSETS</b>		47,273	111,051
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		666,694	733,017
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	33	96,035	135,037
Convertible bonds	34	51,273	–
Deposits received		945	1,373
Deferred tax liabilities	22	31,203	31,203
Total non-current liabilities		179,456	167,613
Net assets		487,238	565,404
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	35	1,085,474	1,085,474
Reserves	37	(600,419)	(522,509)
Non-controlling interests		485,055	562,965
		2,183	2,439
Total equity		487,238	565,404

On behalf of the Board

**Ng Yuk Mui Jessica**  
Director

**Cheung Choi Ngor**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to equity holders of the Company								
	Share capital	Property revaluation reserve <sup>#</sup>	Fair value reserve of financial assets at fair value through other comprehensive income	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	1,085,474	120,145	13,476	815	(2,605)	(384,178)	833,127	2,692	835,819
Loss for the year	-	-	-	-	-	(268,229)	(268,229)	(417)	(268,646)
Other comprehensive (loss)/income for the year	-	-	(7,074)	-	5,141	-	(1,933)	164	(1,769)
Total comprehensive (loss)/income for the year	-	-	(7,074)	-	5,141	(268,229)	(270,162)	(253)	(270,415)
Transfer of share option reserve upon the forfeiture of share options	-	-	-	(815)	-	815	-	-	-
At 31 December 2020 and 1 January 2021	1,085,474	120,145	6,402	-	2,536	(651,592)	562,965	2,439	565,404
Loss for the year	-	-	-	-	-	(77,234)	(77,234)	(294)	(77,528)
Other comprehensive (loss)/income for the year	-	-	(1,302)	-	626	-	(676)	38	(638)
Total comprehensive (loss)/income for the year	-	-	(1,302)	-	626	(77,234)	(77,910)	(256)	(78,166)
At 31 December 2021	1,085,474	120,145*	5,100*	-	3,162*	(728,826)*	485,055	2,183	487,238

<sup>#</sup> The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value on 30 June 2012.

\* These reserve accounts comprise the debit consolidated reserves of HK\$600,419,000 (2020: HK\$522,509,000) in the consolidated statement of financial position.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>LOSS FOR THE YEAR</b>		<b>(77,528)</b>	<b>(268,646)</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss for the year, net of tax	38	(638)	(1,769)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(78,166)</b>	<b>(270,415)</b>
Attributable to:			
Equity holders of the Company		(77,910)	(270,162)
Non-controlling interests		(256)	(253)
		<b>(78,166)</b>	<b>(270,415)</b>

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(79,462)	(255,896)
Adjustments for:			
Finance costs	8	9,867	13,728
Dividend income from listed investments	5	(2,375)	(2,567)
Fair value (gain)/loss on investment properties		(200)	24,000
Fair value loss on financial assets at fair value through profit or loss, net		23,270	42,326
Fair value (gain)/loss on convertible bonds		(6,687)	7,960
Impairment of loans and trade receivables, net	7	5,762	4,360
COVID-19-related rent concessions from lessors	15	–	(289)
Depreciation of property, plant and equipment	6	1,032	1,021
Depreciation of right-of-use assets	6	3,480	3,758
Amortisation of intangible assets	6	1,612	1,729
Impairment of goodwill	6	–	38,599
Write-off of items of property, plant and equipment	7	14	5
		(43,687)	(121,266)
Decrease in financial assets at fair value through profit or loss		29,563	110,705
Movements in derivative financial instruments		505	47
Decrease in inventories		839	714
Decrease/(increase) in loans receivable		96,258	(53,967)
Decrease/(increase) in trade receivables		135,653	(92,450)
Decrease in contract assets		–	250
Decrease in prepayments, other receivables and other assets		23,116	4,895
Decrease/(increase) in cash held on behalf of clients		72,222	(12,436)
(Decrease)/increase in client deposits		(155,260)	74,117
(Decrease)/increase in trade payables		(125,195)	97,245
Increase in other payables and accruals		24,247	6,763
Cash generated from operations		58,261	14,617
Interest paid		(9,498)	(13,378)
Hong Kong profits tax (paid)/refunded		(13,442)	87
Overseas taxes paid		(617)	(633)
Net cash flows from operating activities		34,704	693

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend income received from listed investments		2,375	2,567
Purchases of items of property, plant and equipment	13	(4,079)	(1,011)
(Increase)/decrease in other assets		(566)	2,938
Net cash flows (used in)/from investing activities		(2,270)	4,494
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		43,466	7,128,334
Repayment of bank loans		(67,876)	(7,152,442)
New other loans		–	224
Repayment of other loans		(612)	(2,186)
Principal portion of lease payments		(3,621)	(3,461)
Interest element on lease liabilities	15	(369)	(510)
Proceeds from issue of convertible bonds		–	50,000
Net cash flows (used in)/from financing activities		(29,012)	19,959
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		69,332	39,760
Effect of foreign exchange rate changes, net		668	4,426
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>73,422</b>	<b>69,332</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the consolidated statement of financial position	28	90,274	87,400
Bank overdrafts	33	(16,852)	(18,068)
Cash and cash equivalents as stated in the consolidated statement of cash flows		73,422	69,332

# Notes to Financial Statements

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION

South China Financial Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities, commodities and bullion broking and trading
- margin financing and money lending
- provision of corporate advisory and underwriting services
- asset and wealth management
- property investment
- media publications and financial public relation services
- sales of jewellery products
- investment holding

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Car Plus Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication
Capital Publishing Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication and financial public relation services
Capital CEO Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication and financial public relation services
Capital Entrepreneur Limited <sup>#</sup>	Hong Kong	HK\$1	100	Media publication and financial public relation services
Golden Ways Limited <sup>#</sup>	Hong Kong	HK\$1	100	Media publication and financial public relation services
Jessica Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication

# Notes to Financial Statements

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Jessicacode Limited <sup>#</sup>	Hong Kong	HK\$2	100	Provision of event and video production services
JMEN Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication
Polyluck Trading Limited <sup>#</sup>	Hong Kong	HK\$2	100	Property investment
South China Bullion Company Limited	Hong Kong	HK\$55,000,000	100	Bullion dealing
South China Capital Limited	Hong Kong	HK\$35,000,000	100	Provision of corporate advisory services
South China Commodities Limited	Hong Kong	HK\$91,000,000	100	Commodities broking
South China Finance and Management Limited	Hong Kong	HK\$2	100	Share dealing and provision of management services
South China Finance (Nominees) Limited	Hong Kong	HK\$2	100	Provision of nominee services
South China Properties Credits Limited	Hong Kong	HK\$1	100	Money lending
South China Investment Management Limited	Hong Kong	HK\$10,000,001	100	Asset management
South China Precious Metal Limited	Hong Kong	HK\$2	100	Futures trading
South China Research Limited	Hong Kong	HK\$900,000	100	Research publication
South China Securities Limited	Hong Kong	HK\$283,000,000	100	Securities broking, margin financing and provision of underwriting services

**1. CORPORATE AND GROUP INFORMATION** (Continued)**Information about subsidiaries** (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Kingwise Secretarial Services Limited	Hong Kong	HK\$2	100	Securities and futures trading
South China Finance Lease Holdings Limited	Hong Kong	HK\$1	100	Investment holding
South China Wealth Management Limited	Hong Kong	HK\$10,000,000	100	Insurance broking
Whiz Kids Express Weekly Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication
ZYC Holding No. 1 Limited <sup>#</sup>	Hong Kong	HK\$2	100	Media publication
藍華投資諮詢(上海)有限公司 <sup>#^</sup>	The People's Republic of China ("PRC")	US\$100,000	100	Provision of corporate advisory services and investment holding
Nanjing South China Baoqing Jewellery Co., Ltd. <sup>#^</sup>	PRC	RMB5,500,000	65.45	Trading and retail of jewellery
Nanjing Southchina Leasing Co., Ltd <sup>#^</sup>	PRC	RMB100,000,000	100	Provision of loan financing

<sup>#</sup> Indirectly held by the Company

<sup>^</sup> Registered as wholly-foreign-owned enterprises under PRC law

During the year ended 31 December 2021, the Group ceased forex broking business.

Except for the indirectly held subsidiaries listed above, all principal subsidiaries are directly held by the Company.

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

# Notes to Financial Statements

31 December 2021

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, equity investments, debt investments, derivative financial instruments, financial assets at fair value through profit or loss and convertible bonds which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (that is, existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to Financial Statements

31 December 2021

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings.

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** (Continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>2, 5</sup></i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information<sup>2</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup></i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to HKAS 1, *Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

## Notes to Financial Statements

31 December 2021

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

(Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD**

(Continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The amendments are not expected to have any significant impact on the Group's financial statements.

## Notes to Financial Statements

31 December 2021

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

(Continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018–2020* set out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

# Notes to Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Business combinations and goodwill** (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Fair value measurement**

The Group measures its investment properties, equity investments, debt investments, financial assets of fair value through profit or loss, derivative financial instruments and convertible bonds at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

# Notes to Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, investment properties, goodwill, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Related parties** (Continued)

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and equipment	10% to 25%
Motor vehicles	20%
Machinery	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

***Trademarks, customer relationships and subscription databases***

Purchased trademarks, customer relationships and subscription databases are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 13 years.

***Trading rights***

Trading rights, representing eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Futures Exchange Limited (the “Futures Exchange”), have indefinite useful lives and are tested for impairment annually either individually or at the cash-generating unit level. Such trading rights are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continued to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

**Leases**

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

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased properties	2 to 7 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### (b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Leases** (Continued)**Group as a lessee** (Continued)*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of office properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Group as a lessor**

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (that is, removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Derecognition of financial assets** (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Impairment of financial assets** (Continued)*General approach* (Continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For financial assets, except for margin loans receivable included in loans receivable, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers these financial assets in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For margin loans receivable, the Group considers that there has been a significant increase in credit risk when clients cannot meet margin call requirement and uses the loan-to-collateral value (“LTV”) to make its assessment. The Group considers that a margin loans receivable is in default when payments under the margin call requirement are not settled. However, in certain cases, the Group may also consider a margin loan receivable to be in default when there is a margin shortfall which indicates that the Group is unlikely to receive the outstanding contractual amounts in full when taking into the pledged securities held by the Group. A margin loans receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Impairment of financial assets** (Continued)

#### *General approach* (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Financial liabilities** (Continued)***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

***Financial liabilities at amortised cost (loans and borrowings)***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial liabilities** (Continued)

#### ***Financial guarantee contracts***

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**Provisions**

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

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

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## Notes to Financial Statements

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Income tax** (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### **Borrowing costs**

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Revenue recognition***Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

*(a) Provision of brokerage services*

Revenue from the provision of brokerage services is recognised at a point in time when the customer has obtained control of the service, generally when the trades are executed.

*(b) Provision of services*

Revenue from the provision of consultancy and financial advisory services is recognised at a point in time when all the relevant duties of a financial advisor as stated in the contract are completed.

Revenue from sponsoring fee is recognised over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from handling fee is recognised at a point in time when the customer has obtained control of the service, generally when the services are rendered.

# Notes to Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Revenue recognition** (Continued)

#### ***Revenue from contracts with customers*** (Continued)

##### *(c) Provision of media publications and financial public relation services*

Revenue from advertising and circulation is recognised at a point in time when control of the asset or service is transferred to the customer, generally on delivery of magazines or publication of advertisements.

Revenue from the provision of services is recognised over time as the services are provided.

##### *(d) Sale of jewellery products*

Revenue from the sale of jewellery products is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the jewellery products.

#### ***Revenue from other sources***

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfer control of the related goods or services to the customer).

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Employee benefits*****Paid leave carried forward***

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual has to be made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

***Pension scheme***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

***Share-based payments***

The Company operates a share options scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In respect of share options, the cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 36 to the financial statements.

## Notes to Financial Statements

31 December 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Employee benefits** (Continued)

##### *Share-based payments* (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirements, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (that is, translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## Notes to Financial Statements

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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Estimation uncertainty**

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

#### ***Impairment allowances on financial assets***

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** (Continued)**Estimation uncertainty** (Continued)***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was HK\$44,895,000 (2020: HK\$44,895,000). Further details are given in note 16 to the financial statements.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Estimation of fair value of investment properties***

Investment properties are carried in the statement of financial position at their fair value. The fair value was based on valuation of these properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss.

# Notes to Financial Statements

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## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services. The Group has nine reportable operating segments as follows:

- (a) the broking segment engages in securities, commodities and futures contracts broking;
- (b) the trading and investment segment engages in securities, forex, bullion and futures contracts trading and investment holding;
- (c) the margin financing and money lending segment engages in the provision of margin, mortgage and personal loan financing and finance lease operations;
- (d) the corporate advisory and underwriting segment engages in the provision of corporate advisory and underwriting services;
- (e) the asset and wealth management segment engages in insurance broking and asset management;
- (f) the property investment segment;
- (g) the media publications and financial public relation services segment engages in publishing and distribution of magazines, media advertising and marketing services (“Media Services”);
- (h) the jewellery business segment engages in the retail of jewellery products and operates retail stores in Nanjing; and
- (i) the other business segment engages in the provision of clearing and custodian services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group’s loss before tax from continuing operations except that non-lease-related finance costs relating to the Group’s treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment transactions are conducted with reference to the prices charged to third parties at the then prevailing market prices.

**4. OPERATING SEGMENT INFORMATION** (Continued)**Year ended 31 December 2021**

	Broking HK\$'000	Trading and investment HK\$'000	Margin financing and money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Asset and wealth management HK\$'000	Property investment HK\$'000	Media publications and financial public relation services HK\$'000	Jewellery business HK\$'000	Other business HK\$'000	Consolidated HK\$'000
<b>Segment revenue: (note 5)</b>										
Revenue from external customers	21,614	2,306	17,282	2	2,957	9,243	23,003	29,469	985	106,861
<b>Segment results:</b>	(17,451)	(23,705)	(4,439)	(1,205)	(8,185)	4,470	(18,119)	(171)	(4,190)	(72,995)
Reconciliation:										
Corporate and other unallocated income, net <sup>#</sup>										3,031
Finance costs (other than interest on lease liabilities)										(9,498)
Loss before tax										(79,462)
<b>Segment assets:</b>	563,935	216,052	191,605	4,638	4,722	526,999	65,592	17,799	155	1,591,497
Reconciliation:										
Corporate and other unallocated assets										20,634
Total assets										1,612,131
<b>Segment liabilities:</b>	(497,418)	(59,232)	(153,991)	(614)	(317)	(3,145)	(21,380)	(12,525)	(1,635)	(750,257)
Reconciliation:										
Corporate and other unallocated liabilities										(374,636)
Total liabilities										(1,124,893)
<b>Other segment information:</b>										
Fair value loss on financial assets at fair value through profit or loss, net <sup>##</sup>	-	23,270	-	-	-	-	-	-	-	23,270
Fair value gain on investment properties	-	-	-	-	-	(200)	-	-	-	(200)
Impairment/(reversal of impairment) of loans and trade receivables, net	36	-	5,780	-	-	-	(54)	-	-	5,762
Depreciation and amortisation	1,310	-	3	-	-	-	2,997	1,814	-	6,124
Capital expenditure*	3,340	-	3	-	-	-	732	4	-	4,079

# Notes to Financial Statements

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Year ended 31 December 2020

	Broking HK\$'000	Trading and investment HK\$'000	Margin financing and money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Asset and wealth management HK\$'000	Property investment HK\$'000	Media publications and financial public relation services HK\$'000	Jewellery business HK\$'000	Other business HK\$'000	Consolidated HK\$'000
<b>Segment revenue: (note 5)</b>										
Revenue from external customers	29,093	(25,878)	18,509	6,553	1,443	12,070	24,001	22,756	942	89,489
<b>Segment results:</b>	(12,517)	(73,919)	(5,418)	(11,718)	(4,133)	(15,651)	(109,197)	(359)	(4,995)	(237,907)
Reconciliation:										
Corporate and other unallocated expenses, net <sup>#</sup>										(4,771)
Finance costs (other than interest on lease liabilities)										(13,218)
Loss before tax										(255,896)
<b>Segment assets:</b>	781,401	285,395	270,875	5,878	6,129	528,579	71,598	20,502	689	1,971,046
Reconciliation:										
Corporate and other unallocated assets										25,866
Total assets										1,996,912
<b>Segment liabilities:</b>	(784,504)	(42,577)	(131,284)	(296)	(161)	(3,739)	(27,311)	(14,629)	(1,890)	(1,006,391)
Reconciliation:										
Corporate and other unallocated liabilities										(425,117)
Total liabilities										(1,431,508)
<b>Other segment information:</b>										
Fair value loss on financial assets at fair value through profit or loss, net <sup>##</sup>	-	40,626	-	-	-	-	-	-	-	40,626
Fair value loss on investment properties	-	-	-	-	-	24,000	-	-	-	24,000
Impairment of loans and trade receivables, net	1,107	-	2,613	-	-	-	461	-	179	4,360
Impairment of goodwill	-	-	-	-	-	-	38,599	-	-	38,599
Depreciation and amortisation	1,761	-	79	-	-	-	2,987	1,674	7	6,508
Capital expenditure <sup>*</sup>	221	-	4	-	-	-	767	19	-	1,011

\* Capital expenditure consists of additions to property, plant and equipment.

<sup>#</sup> Corporate and other unallocated income/expenses include fair value loss on financial assets at fair value through profit or loss designated for the Group's Employees' Share Award Scheme amounting to HK\$3,499,000 (2020: HK\$1,700,000).

<sup>##</sup> Fair value loss on financial assets at fair value through profit or loss includes fair value gain on derivative financial instruments of nil (2020: HK\$228,000).

**4. OPERATING SEGMENT INFORMATION** (Continued)**Geographical information***(a) Revenue from external customers*

	2021 HK\$'000	2020 HK\$'000
Hong Kong	74,516	63,754
Mainland China	32,345	25,732
Other countries	–	3
	<b>106,861</b>	<b>89,489</b>

The revenue information of continuing operations above is based on the locations of the customers.

*(b) Non-current assets*

	2021 HK\$'000	2020 HK\$'000
Hong Kong	591,629	593,056
Other jurisdictions	3,082	2,897
	<b>594,711</b>	<b>595,953</b>

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and debt investments at fair value through other comprehensive income.

## Notes to Financial Statements

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### 5. REVENUE

An analysis of revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers:</i>		
Commission and brokerage income	20,286	28,309
Rendering of services	985	7,587
Handling fee income	1,950	1,703
Media publications and financial public relation services ("Media Services")*	23,003	24,001
Sales of jewellery products	29,469	22,756
	<b>75,693</b>	<b>84,356</b>
<i>Revenue from other sources:</i>		
Profit/(loss) on the trading of securities, forex, bullion and future contracts, net	2,255	(28,445)
Interest income from loans and trade receivables	15,289	16,822
Interest income from forex and bullion contracts trading	–	428
Interest income from banks and financial institutions	2,006	1,691
Dividend income from listed investments	2,375	2,567
Gross rental income	9,243	12,070
	<b>31,168</b>	<b>5,133</b>
	<b>106,861</b>	<b>89,489</b>

\* Including advertising income, service income and circulation income

**5. REVENUE** (Continued)**Revenue from contracts with customers****(i) Disaggregated revenue information****For the year ended 31 December 2021**

	Broking HK\$'000	Corporate advisory and underwriting HK\$'000	Asset and wealth management HK\$'000	Jewellery business HK\$'000	Other business HK\$'000	Media publications and financial public relation services HK\$'000	Total HK\$'000
<b>Types of goods or services</b>							
Commission and brokerage income	19,653	–	633	–	–	–	20,286
Media publications and financial public relation services	–	–	–	–	–	23,003	23,003
Sales of jewellery products	–	–	–	29,469	–	–	29,469
Handling fee income	1,950	–	–	–	–	–	1,950
Other business income	–	–	–	–	985	–	985
<b>Total revenue from contracts with customers</b>	<b>21,603</b>	<b>–</b>	<b>633</b>	<b>29,469</b>	<b>985</b>	<b>23,003</b>	<b>75,693</b>
<b>Geographical markets</b>							
Hong Kong	21,603	–	633	–	985	23,003	46,224
Mainland China	–	–	–	29,469	–	–	29,469
<b>Total revenue from contracts with customers</b>	<b>21,603</b>	<b>–</b>	<b>633</b>	<b>29,469</b>	<b>985</b>	<b>23,003</b>	<b>75,693</b>

# Notes to Financial Statements

31 December 2021

## 5. REVENUE (Continued)

### Revenue from contracts with customers (Continued)

#### (i) Disaggregated revenue information (Continued)

For the year ended 31 December 2020

	Broking HK\$'000	Corporate advisory and underwriting HK\$'000	Asset and wealth management HK\$'000	Jewellery business HK\$'000	Other business HK\$'000	Media publications and financial public relation services HK\$'000	Total HK\$'000
<b>Types of goods or services</b>							
Commission and brokerage income	26,866	–	1,443	–	–	–	28,309
Underwriting service income	–	5,550	–	–	–	–	5,550
Corporate advisory fee income	–	1,003	–	–	–	–	1,003
Media publications and financial public relation services	–	–	–	–	–	24,001	24,001
Sales of jewellery products	–	–	–	22,756	–	–	22,756
Handling fee income	1,703	–	–	–	–	–	1,703
Other business income	92	–	–	–	942	–	1,034
<b>Total revenue from contracts with customers</b>	<b>28,661</b>	<b>6,553</b>	<b>1,443</b>	<b>22,756</b>	<b>942</b>	<b>24,001</b>	<b>84,356</b>
<b>Geographical markets</b>							
Hong Kong	28,661	6,553	1,443	–	942	24,001	61,600
Mainland China	–	–	–	22,756	–	–	22,756
<b>Total revenue from contracts with customers</b>	<b>28,661</b>	<b>6,553</b>	<b>1,443</b>	<b>22,756</b>	<b>942</b>	<b>24,001</b>	<b>84,356</b>

**5. REVENUE** (Continued)**Revenue from contracts with customers** (Continued)**(i) Disaggregated revenue information** (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Corporate advisory services	–	500
Handling services	–	1,420
Media publications and financial public relation services	96	20
	<b>96</b>	<b>1,940</b>

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Commission and brokerage income*

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trade is executed. Commission and broking income are generally due within two days after the trade date.

*Rendering of services*

The performance obligation is satisfied over time or at a point in time as services are rendered.

*Media publications and financial public relation services*

The performance obligation is satisfied upon delivery of magazines or publications of advertisements or over time as services are rendered.

*Sale of jewellery products*

The performance obligation is satisfied upon delivery of goods, and payment is mainly on cash and credit card settlement.

As at 31 December 2020, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) which amounted to HK\$96,000 were expected to be recognised within one year.

## Notes to Financial Statements

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### 6. OTHER OPERATING EXPENSES

	2021 HK\$'000	2020 HK\$'000
Cost of services provided	7,585	18,785
Cost of media publications and financial public relation services	20,616	48,625
Cost of inventories sold	21,054	16,216
Depreciation of property, plant and equipment	1,032	1,021
Depreciation of right-of-use assets	3,480	3,758
Amortisation of intangible assets	1,612	1,729
Auditor's remuneration	2,380	1,970
Lease payments not included in the measurement of lease liabilities	9,893	12,234
Employee benefit expense (including directors' remuneration (note 9)):		
Wages, salaries and benefits in kind	45,680	44,129
Pension scheme contributions, net	1,868	1,865
	<b>47,548</b>	45,994
Interest expense for margin financing and money lending operations:		
Bank loans and overdrafts	5,900	12,512
Direct operating expenses arising from rental-earning investment properties	1,790	1,583
(Reversal of impairment)/impairment of other receivables, net	(3,380)	6,867
Communication expenses	9,739	9,965
Management and professional fees	4,518	9,779
Marketing and promotional fee	2,533	8,587
Others	19,658	26,599
	<b>155,958</b>	226,224

**7. LOSS BEFORE TAX**

The Group's loss before tax is arrived at after charging/(crediting):

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Impairment of goodwill	–	38,599
Foreign exchange differences, net	<b>(1,490)</b>	(529)
Impairment of loans receivable, net	<b>6,120</b>	2,408
(Reversal of impairment)/impairment of trade receivables, net	<b>(358)</b>	1,952
Write-off of items of property, plant and equipment	<b>14</b>	5
Government subsidies*	<b>(250)</b>	(8,900)

\* Government subsidies mainly represent subsidies received in connection with the support from the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region, which were included in "other income" in the statement of profit or loss. There were no unfulfilled conditions or contingencies relating to these subsidies.

**8. FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans, overdrafts and other borrowings	<b>9,498</b>	13,218
Interest on lease liabilities	<b>369</b>	510
	<b>9,867</b>	13,728

## Notes to Financial Statements

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### 9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION

Directors' and senior management's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>Group</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Fees	<b>470</b>	470
Other emoluments:		
Salaries, allowances and benefits in kind	<b>3,144</b>	3,600
Pension scheme contributions	<b>85</b>	102
	<b>3,229</b>	3,702
	<b>3,699</b>	4,172

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Hon. Raymond Arthur William Sears Q.C.	<b>240</b>	240
Mr. Tung Woon Cheung Eric	<b>100</b>	100
Mrs. Tse Wong Siu Yin Elizabeth	<b>100</b>	100
	<b>440</b>	440

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

**9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION** (Continued)**(b) Executive directors**

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000
<b>2021</b>			
Executive directors:			
Mr. Ng Hung Sang	10	1,344	67
Ms. Ng Yuk Mui, Jessica	10	1,800	18
Ms. Cheung Choi Ngor	10	–	–
	<b>30</b>	<b>3,144</b>	<b>85</b>
<b>2020</b>			
Executive directors:			
Mr. Ng Hung Sang	10	1,520	84
Ms. Ng Yuk Mui, Jessica	10	2,080	18
Ms. Cheung Choi Ngor	10	–	–
	<b>30</b>	<b>3,600</b>	<b>102</b>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## Notes to Financial Statements

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### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two (2020: two) directors, details of whose remuneration are disclosed in note 9 above. Details of the remuneration for the year of the remaining three (2020: three) non-director highest paid employees for the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	2,621	4,174
Pension scheme contributions	54	54
	<b>2,675</b>	<b>4,228</b>

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK\$500,001 to HK\$1,000,000	3	—
HK\$1,000,001 to HK\$1,500,000	—	3
	<b>3</b>	<b>3</b>

### 11. INCOME TAX

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2021 HK\$'000	2020 HK\$'000
Current — Hong Kong		
(Over)/Underprovision in prior years	(2,551)	12,047
Current — Elsewhere		
Charge for the year	617	563
Deferred (note 22)	—	140
	<b>(1,934)</b>	<b>12,750</b>

**11. INCOME TAX** (Continued)

During the preceding years, the Hong Kong Inland Revenue Department (“IRD”) initiated tax audit on certain group entities for the years of assessments from 2006/2007 to 2017/2018. Estimated assessments were issued to the entities and against which tax reserve certificates totalling HK\$18.7 million were purchased. During the year ended 31 December 2021, a compromised proposal was agreed with the IRD with tax liability of HK\$17.1 million and tax penalty of HK\$3.0 million was paid on the agreed additional assessable profits for the years of assessments from 2006/2007 to 2017/2018.

A reconciliation of the tax credit applicable to loss before tax at the statutory rate in Hong Kong where the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	2021		2020	
	HK\$'000	%	HK\$'000	%
Loss before tax from continuing operations	(79,462)		(255,896)	
Tax at the statutory tax rate	(13,111)	16.5	(42,223)	16.5
Higher tax rates on profit arising elsewhere	320	(0.4)	339	(0.1)
Adjustments in respect of current tax of previous periods	(2,551)	3.2	12,047	(4.7)
Income not subject to tax	(2,210)	2.8	(2,826)	1.1
Expenses not deductible for tax	1,874	(2.3)	14,038	(5.5)
Tax losses not recognised	15,392	(19.4)	34,307	(13.4)
Tax losses utilised from previous periods	(1,838)	2.3	(2,964)	1.2
Others	190	(0.3)	32	(0.1)
Tax (credit)/charge at the Group's effective rate	(1,934)	2.4	12,750	(5.0)

**12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK\$77,234,000 (2020: HK\$268,229,000) and the weighted average number of 301,277,070 (2020: 301,277,070) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the convertible bonds and share options (2020: share options) outstanding during the year had an anti-dilutive effect on the basic loss per share amounts presented.

## Notes to Financial Statements

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### 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
<b>At 31 December 2021</b>					
At 31 December 2020 and 1 January 2021					
Cost	26,692	68,756	4,319	281	100,048
Accumulated depreciation	(24,840)	(67,951)	(4,287)	(270)	(97,348)
<b>Net carrying amount</b>	<b>1,852</b>	<b>805</b>	<b>32</b>	<b>11</b>	<b>2,700</b>
At 1 January 2021, net of accumulated depreciation					
Additions	25	4,053	–	1	4,079
Write-off	–	(12)	–	(2)	(14)
Depreciation provided during the year	(182)	(850)	–	–	(1,032)
Exchange realignment	–	(1)	1	–	–
<b>At 31 December 2021, net of accumulated depreciation</b>	<b>1,695</b>	<b>3,995</b>	<b>33</b>	<b>10</b>	<b>5,733</b>
At 31 December 2021:					
Cost	26,717	72,802	4,324	267	104,110
Accumulated depreciation	(25,022)	(68,807)	(4,291)	(257)	(98,377)
<b>Net carrying amount</b>	<b>1,695</b>	<b>3,995</b>	<b>33</b>	<b>10</b>	<b>5,733</b>

**13. PROPERTY, PLANT AND EQUIPMENT** (Continued)

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
<b>At 31 December 2020</b>					
At 1 January 2020:					
Cost	26,069	67,537	4,296	282	98,184
Accumulated depreciation	(24,683)	(66,278)	(4,245)	(271)	(95,477)
Net carrying amount	1,386	1,259	51	11	2,707
At 1 January 2020, net of accumulated depreciation					
	1,386	1,259	51	11	2,707
Additions	623	388	–	–	1,011
Write-off	–	(4)	–	(1)	(5)
Depreciation provided during the year	(157)	(843)	(21)	–	(1,021)
Exchange realignment	–	5	2	1	8
At 31 December 2020, net of accumulated depreciation					
	1,852	805	32	11	2,700
At 31 December 2020:					
Cost	26,692	68,756	4,319	281	100,048
Accumulated depreciation	(24,840)	(67,951)	(4,287)	(270)	(97,348)
Net carrying amount	1,852	805	32	11	2,700

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### 14. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
Carrying amount as at 1 January	526,000	550,000
Net gain/(loss) from a fair value adjustment	200	(24,000)
Carrying amount at 31 December	<b>526,200</b>	526,000

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers, at HK\$526,200,000. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

On 31 December 2021, the Group's investment properties with a carrying value of HK\$526,200,000 (2020: HK\$526,000,000) were pledged to secure general banking facilities granted to the Group (note 33).

Details of the Group's investment properties are as follows:

<b>Location</b>	<b>Existing use</b>
26th Floor, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

**14. INVESTMENT PROPERTIES** (Continued)**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	<b>Fair value measurement as at 31 December using significant unobservable inputs (Level 3)</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Recurring fair value measurement for:		
Commercial properties	<b>526,200</b>	526,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. Below is a summary of the significant inputs to the valuation of investment properties:

	<b>2021</b>	2020
	<b>HK\$35,830</b>	HK\$35,817
Price per square foot		

A significant increase/decrease in the price per square foot would result in a significant increase/decrease in the fair value of the investment properties.

## Notes to Financial Statements

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### 15. LEASES

#### The Group as a lessee

The Group has lease contracts for its office properties, with lease terms between 2 and 7 years.

#### (a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Leased properties	
	2021 HK\$'000	2020 HK\$'000
At 1 January	5,555	9,085
Additions	3,138	–
Disposal due to early termination	(826)	–
Depreciation charge	(3,480)	(3,758)
Exchange realignment	55	228
At 31 December	4,442	5,555

#### (b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2021		2020	
	HK\$'000		HK\$'000	
Carrying amount at 1 January	5,964		9,473	
New leases	3,138		–	
Accretion of interest recognised during the year	369		510	
COVID-19-related rent concessions from lessors	–		(289)	
Payments	(3,990)		(3,971)	
Disposals	(959)		–	
Exchange realignment	58		241	
Carrying amount at 31 December	4,580		5,964	
Analysed into:				
Current portion	3,216		2,939	
Non-current portion	1,364		3,025	
	4,580		5,964	

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

**15. LEASES** (Continued)**The Group as a lessee** (Continued)*(c) The amounts recognised in profit or loss in relation to leases are as follows:*

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	369	510
Depreciation charge of right-of-use assets	3,480	3,758
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December and other lease payments not included in the measurement of lease liabilities (included in other operating expenses)	9,893	12,234
COVID-19-related rent concessions from lessors	–	(289)
<b>Total amount recognised in profit or loss</b>	<b>13,742</b>	<b>16,213</b>

*(d)* The total cash outflow for leases is disclosed in note 39(c) to the financial statements.**The Group as a lessor**

The Group leases its investment properties (note 14) consisting of commercial office premises in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$9,243,000 (2020: HK\$12,070,000), details of which are included in note 5 to the financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	5,899	3,792
After one year but within two years	700	4,780
After two years but within three years	280	–
<b>Total</b>	<b>6,879</b>	<b>8,572</b>

## Notes to Financial Statements

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### 16. GOODWILL

	2021 HK\$'000	2020 HK\$'000
Cost at 1 January, net of accumulated impairment	44,895	83,494
Impairment during the year	–	(38,599)
At 31 December	44,895	44,895
At 31 December:		
Cost	90,299	90,299
Accumulated impairment	(45,404)	(45,404)
Net carrying amount	44,895	44,895

#### Impairment testing of goodwill and intangible assets

Goodwill and intangible assets acquired through business combinations is allocated to the following cash-generating units (“CGU”) for impairment testing:

- Capital Group CGU; and
- Lifestyle Group CGU.

**16. GOODWILL** (Continued)**Impairment testing of goodwill and intangible assets** (Continued)

The carrying amounts of goodwill and intangible assets, net of impairment, allocated to each of the cash-generating units are as follows:

	<b>Capital Group CGU HK\$'000</b>	<b>Lifestyle Group CGU HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 31 December 2021</b>			
Carrying amount of goodwill	13,714	31,181	44,895
Carrying amount of intangible assets	1,629	3,102	4,731
<b>At 31 December 2020</b>			
Carrying amount of goodwill	13,714	31,181	44,895
Carrying amount of intangible assets	1,932	4,343	6,275

Assumptions were used in the value-in-use calculation of the Capital Group and Lifestyle Group CGUs for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets:

**Budgeted revenue** — The basis used to determine the value assigned to the budgeted revenue is the revenue achieved in the year immediately before the budget year, taking into account the management's expectations and market developments.

**Discount rates** — The discount rates used are before tax and reflect specific risks relating to the relevant units.

**Inflation** — The basis used to determine the value assigned to inflation is the forecast price indices during the budget year for Hong Kong from where the consumer price are sourced.

**Growth rate** — The growth rate used is with reference to the long term average growth rates for the relevant markets.

The values assigned to the key assumptions on market development of media and public relations industries, discount rates and inflation are consistent with external information sources.

## Notes to Financial Statements

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### 16. GOODWILL (Continued)

#### Impairment testing of goodwill and intangible assets (Continued)

The recoverable amounts of the Capital Group and Lifestyle Group CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year (2020: four-year) period approved by senior management.

The discount rate applied to the cash flow projections and the growth rate used to extrapolate the cash flows of these CGUs beyond the five-year (2020: four-year) period are set out as follows:

	Capital Group CGU HK\$'000	Lifestyle Group CGU HK\$'000
<b>At 31 December 2020 and 31 December 2021</b>		
Discount rate	17%	17%
Growth rate (note)	2%	2%

Note: The growth rate is consistent with the average growth rate of the industry.

As at 31 December 2020, in light of intensified competition which resulted in dismal performance of the Lifestyle Group, it was concluded that the value-in-use of the Lifestyle Group CGU was lower than its carrying amount. As a result of this analysis, the Group recognised an impairment against goodwill of HK\$38,599,000 for the year ended 31 December 2020.

#### Sensitivity to changes in assumptions

In the opinion of the Company's directors, the following changes in growth rate and discount rate would cause the carrying amounts of the Capital Group CGUs and Lifestyle Group CGUs to be approximate to their respective recoverable amounts.

	Capital Group CGU %	Lifestyle Group CGU %
Decrease in terminal growth rate	1	1
Increase in discount rate	1	1

Any reasonably possible change in the other key assumptions would not cause the carrying amount of these CGUs to exceed its recoverable amounts.

## 17. INTANGIBLE ASSETS

	Trademarks HK\$'000	Trading rights HK\$'000 (note)	Customer relationships HK\$'000	Subscription databases HK\$'000	Total HK\$'000
<b>31 December 2021</b>					
Cost at 31 December 2020 and 1 January 2021, net of accumulated amortisation and impairment	3,901	836	2,719	25	7,481
Amortisation provided during the year	(345)	–	(1,253)	(14)	(1,612)
At 31 December 2021	3,556	836	1,466	11	5,869
At 31 December 2021:					
Cost	7,997	836	6,303	81	15,217
Accumulated amortisation and impairment	(4,441)	–	(4,837)	(70)	(9,348)
Net carrying amount	3,556	836	1,466	11	5,869

	Trademarks HK\$'000	Trading rights HK\$'000 (note)	Customer relationships HK\$'000	Subscription databases HK\$'000	Total HK\$'000
<b>31 December 2020</b>					
Cost at 1 January 2020, net of accumulated amortisation and impairment	4,307	836	4,028	39	9,210
Amortisation provided during the year	(406)	–	(1,309)	(14)	(1,729)
At 31 December 2020	3,901	836	2,719	25	7,481
At 31 December 2020:					
Cost	7,997	836	6,303	81	15,217
Accumulated amortisation and impairment	(4,096)	–	(3,584)	(56)	(7,736)
Net carrying amount	3,901	836	2,719	25	7,481

## Notes to Financial Statements

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### 17. INTANGIBLE ASSETS (Continued)

Note: The trading rights have no expiry dates and, in the opinion of the directors, have indefinite useful lives.

Pursuant to the restructuring of the Stock Exchange and the Futures Exchange effective on 6 March 2000, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK\$1 each in Hong Kong Exchanges and Clearing Limited (the “HKEC Shares”) in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and the Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of the respective estimated fair values on 6 March 2000.

As at 31 December 2021, the recoverable amounts of the trading rights with indefinite useful life have been determined based on fair value less costs of disposal for the cash-generating unit to which the trading rights belong.

As at 31 December 2020, the recoverable amounts of the trading rights with indefinite useful life have been determined based on a value-in-use calculation using cash flow projections based on the past financial results and financial budgets of the Company, covering a one-year budget plan. Given the unpredictability of market condition in the Hong Kong securities market, no growth rate was taken into account in the cash flow projections. The key assumptions were determined by the Group’s management based on past performance and its expectations for the industry development.

During the year ended 31 December 2021, no impairment was provided on trading rights as the recoverable amount exceeded their carrying amount (2020: Nil).

**18. OTHER ASSETS**

	2021 HK\$'000	2020 HK\$'000
Membership in Chinese Gold and Silver Exchange	1,280	1,280
Statutory deposits in respect of securities and commodities dealings	5,975	5,409
	<b>7,255</b>	<b>6,689</b>

Other assets are non-interest-bearing and have no fixed terms of repayment.

**19. INVESTMENTS IN ASSOCIATES**

	2021 HK\$'000	2020 HK\$'000
Share of net assets	1,804	1,804
Provision for impairment <sup>#</sup>	(1,804)	(1,804)
	—	—

<sup>#</sup> In prior years, full provisions were recognised for investments in associates with aggregate carrying amounts of HK\$1,804,000 because the recoverable amounts were expected to be zero.

Particulars of the associates are as follows:

Name	Registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the group	Principal activities
嘉田文化發展(天津)有限公司	RMB20,000,000	PRC/ Mainland China	45	Media and entertainment
上海華威創富股權投資管理有限公司	RMB20,000,000	PRC/ Mainland China	50	Provision of fund management services

The above associates are indirectly held by the Company and have been accounted for using the equity method in these financial statements.

## Notes to Financial Statements

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### 20. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing, finance lease and money lending operations during the year.

Loans receivable bear interest at rates with credit periods mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable, and a credit control department has been established to monitor potential credit risk. Margin loans receivable are secured by the pledge of customers' securities as collateral while mortgage loans receivables are secured by the pledge of customers' properties. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's loans receivable relate to a large number of diversified customers and there is no significant concentration of credit risk.

	2021 HK\$'000	2020 HK\$'000
Loans receivable		
— Margin loans receivable	172,569	241,160
— Finance leases receivable	—	25,153
— Mortgage loans receivable	700	2,240
— Other loans receivable	8,840	9,814
	182,109	278,367
Impairment	(44,259)	(38,139)
	137,850	240,228
Portion classified as current assets	(137,649)	(238,032)
	201	2,196
Market value of collateral at 31 December	571,560	611,495

At the end of the reporting period, certain listed equity securities provided by clients of approximately HK\$237,005,000 (2020: HK\$218,093,000) were pledged as collateral to banks to secure banking facilities granted to the Group (note 33).

**20. LOANS RECEIVABLE** (Continued)

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date as follows:

	2021 HK\$'000	2020 HK\$'000
Repayable:		
On demand	134,767	210,450
Within 3 months to 1 year	2,882	27,582
1 to 5 years	201	2,196
	<b>137,850</b>	<b>240,228</b>

Loans receivable are categorised into excellent, good and individually impaired. Excellent refers to exposures which margin obligation can be met and payment of interest and principal is not in doubt, with good quality and liquidity of collateral. Good refers to exposures which principal and interest are partially or fully secured but at a relatively low level. Individually impaired refers to exposures which loss, partial or full, has incurred and with insufficient collateral.

The Group holds certain listed equity securities of clients as collateral over these individually impaired loans receivable.

Analysis of the gross carrying amount as at 31 December 2021 and 31 December 2020 by the Group's internal credit rating and year-end classification is as follows:

**2021**

Internal rating grade	12-months ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
Excellent	127,791	–	–	127,791
Good	–	15,190	–	15,190
Individually impaired	–	–	39,128	39,128
	<b>127,791</b>	<b>15,190</b>	<b>39,128</b>	<b>182,109</b>

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### 20. LOANS RECEIVABLE (Continued)

2020

Internal rating grade	12-months ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
Excellent	225,796	–	–	225,796
Good	–	12,943	–	12,943
Individually impaired	–	–	39,628	39,628
	225,796	12,943	39,628	278,367

The movements in the expected credit loss (“ECL”) impairment allowance on loans receivable are as follows:

	12-months ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
ECL allowance as at 1 January 2020	575	1,495	33,661	35,731
Loss allowance recognised/(reversed)	36	(376)	2,748	2,408
ECL allowance as at 31 December 2020	611	1,119	36,409	38,139
ECL allowance as at 31 December 2020 and as at 1 January 2021	<b>611</b>	<b>1,119</b>	<b>36,409</b>	<b>38,139</b>
Loss allowance recognised/(reversed)	<b>5,773</b>	<b>(1,119)</b>	<b>1,466</b>	<b>6,120</b>
ECL allowance as at 31 December 2021	<b>6,384</b>	–	<b>37,875</b>	<b>44,259</b>
2021 ECL rate	<b>5.00%</b>	–	<b>96.80%</b>	<b>24.30%</b>
2020 ECL rate	0.27%	8.65%	91.88%	13.70%

**20. LOANS RECEIVABLE** (Continued)**Finance leases receivable**

Included in loans receivable were receivables in respect of assets leased under finance leases as set out below:

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Amounts receivable under finance leases:				
Within one year	–	27,905	–	25,153
In the second to fifth years, inclusive	–	–	–	–
	–	27,905	–	25,153
Less: Unearned finance income	–	(2,752)	–	–
Present value of minimum lease payment receivable	–	25,153	–	–
Portion classified as current assets	–	(25,153)	–	–
Non-current portion	–	–	–	–

As at 31 December 2020, the Group had several finance lease arrangements with customers in respect of items of equipment, with the remaining term of one year. The finance leases receivable were secured by leased assets and fully repaid by the customers during the year ended 31 December 2021.

As at 31 December 2020, included in the Group's finance leases receivable were receivable from a related company, 滄州南華房地產開發有限公司 (“滄州南華”), of HK\$3,642,000. 滄州南華 is a subsidiary of South China Assets Holdings Limited, a director of which is also a director of the Company.

**Mortgage loans receivable**

In general, mortgage loans are granted on a secured basis with sufficient amount of collateral provided by the borrower. The main types of collateral obtained are mortgages over residential properties or commercial properties.

In respect of secured mortgage loans to customers with the carrying amount of HK\$700,000 (2020: HK\$2,240,000), the fair value of collateral of such mortgage loans can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

## Notes to Financial Statements

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### 21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
<b>Equity investments designated at fair value through other comprehensive income</b>		
Listed equity investments in Hong Kong, at fair value	20,650	23,450
<b>Debt investments at fair value through other comprehensive income</b>		
Club debentures, at fair value	4,060	2,563

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

The Group did not recognise any dividend income from equity investments held at the end of the reporting period for both years ended 31 December 2021 and 2020.

As at 31 December 2021, the Group's listed equity investments with a carrying value of HK\$20,650,000 (2020: HK\$23,450,000) were pledged as security for the Group's bank borrowings, as further detailed in note 33 to the financial statements.

**22. DEFERRED TAX**

The movements in deferred tax liabilities and assets during the year are as follows:

**Deferred tax liabilities**

	Losses available for offsetting against future taxable profits HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from transfer of owner- occupied properties to investment properties HK\$'000	Fair value adjustments arising from acquisitions of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2020	(9,392)	15,356	23,800	1,299	31,063
Deferred tax charged/(credited) to profit or loss during the year (note 11)	(325)	201	–	264	140
At 31 December 2020, 1 January 2021 and 31 December 2021	(9,717)	15,557	23,800	1,563	31,203

## Notes to Financial Statements

31 December 2021

### 22. DEFERRED TAX (Continued)

#### Deferred tax liabilities (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2021 HK\$'000	2020 HK\$'000
Tax losses	1,486,991	1,393,527
Deductible temporary differences	—	117
	<b>1,486,991</b>	<b>1,393,644</b>

The above tax losses of the Group included tax losses arising in Hong Kong of HK\$1,470,982,000 (2020: HK\$1,378,726,000), subject to the agreement by the IRD, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK\$16,009,000 (2020: HK\$14,801,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. These subsidiaries have recorded accumulated losses since 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

**23. INVENTORIES**

	2021 HK\$'000	2020 HK\$'000
Raw materials	691	980
Finished goods	11,570	12,120
	<b>12,261</b>	<b>13,100</b>

At 31 December 2021, the Group's inventories with a carrying amount of HK\$12,231,000 (2020: HK\$12,028,000) were pledged as security for the Group's bank loans, as further detailed in note 33 to the financial statements.

**24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2021 HK\$'000	2020 HK\$'000
Listed equity investments, at market value	208,173	261,006

The financial assets at the end of the reporting period were classified as:

	2021 HK\$'000	2020 HK\$'000
Held for trading	204,174	253,507
Designated upon initial recognition (note)	3,999	7,499
	<b>208,173</b>	<b>261,006</b>

Note:

On 10 June 2015, the board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") to hold the shares purchased by the Group pursuant to the terms of the Share Award Scheme before transferring to employees upon vesting.

In 2015, the Group purchased certain shares of South China Holdings Company Limited, a company listed on the Stock Exchange, which is also a connected party of the Company, at a total consideration of HK\$11,800,000. The Group designated these shares as financial assets at fair value through profit or loss upon initial recognition, as they are managed and their performance is evaluated on a fair value basis, which will be awarded to employees of the Group under the Share Award Scheme.

As of 31 December 2021, listed securities of approximately HK\$129,811,000 (2020: HK\$129,554,000) were pledged to banks to secure banking facilities granted to the Group (note 33).

## Notes to Financial Statements

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### 25. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables		
— Clearing houses, brokers and dealers	58,482	183,463
— Cash and custodian receivables	1,933	8,457
— Other trade receivables	8,615	13,340
	<b>69,030</b>	205,260
Impairment	<b>(6,713)</b>	(7,648)
	<b>62,317</b>	197,612

The Group's trade receivables arose from securities, forex, bullion and commodities dealings, insurance broking, the provision of corporate advisory and underwriting services, Media Services and jewellery business during the year.

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. The credit period for Media Services is generally one month, extending up to four months for major customers. The credit period for corporate advisory services is generally within two weeks. The Group's trading terms with its jewellery retail customers are mainly on cash and credit card settlement. The Group maintains strict control over its outstanding receivables and a credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's trade receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk. Overdue trade receivables bear interest by reference to the prime rate except that overdue receivables in respect of Media Services, corporate advisory services and jewellery business are non-interest-bearing.

**25. TRADE RECEIVABLES** (Continued)

An ageing analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of loss allowance, is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>62,317</b>	197,612

The movement in the loss allowance for impairment of trade receivables are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>7,648</b>	5,696
Impairment losses recognised/(reversed) (note 7)	<b>(358)</b>	1,952
Amount written off as uncollectible	<b>(577)</b>	–
At 31 December	<b>6,713</b>	7,648

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## Notes to Financial Statements

31 December 2021

### 25. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

#### As at 31 December 2021

	<b>Past due less than 90 days</b>
Expected credit loss rate	9.72%
Gross carrying amount (HK\$'000)	69,030
Expected credit losses (HK\$'000)	6,713

#### As at 31 December 2020

	Past due less than 90 day
Expected credit loss rate	3.73%
Gross carrying amount (HK\$'000)	205,260
Expected credit losses (HK\$'000)	7,648

### 26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK\$'000	2020 HK\$'000
Prepayments	1,304	4,563
Deposits	1,449	20,560
Other receivables	30,400	34,526
Impairment	(3,487)	(6,867)
	29,666	52,782
Portion classified as current assets	(29,550)	(52,345)
	116	437
Portion classified as non-current assets	116	437

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

**26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS** (Continued)

During the year ended 31 December 2021, other receivables with gross carrying amount of HK\$3,487,000 (2020: HK\$6,867,000) is considered to be “doubtful” based on the significant increase in credit risk. Except for the above amount classified at stage 3, the credit quality of the financial assets is considered to be “normal” and is classified at stage 1.

During the year, a reversal of impairment of HK\$3,380,000 was credited (2020: an impairment loss of HK\$6,867,000 was charged) to the profit or loss. As at 31 December 2021, included in the provision for impairment was an impairment of HK\$3,487,000 (2020: HK\$4,894,000) made against an other receivable due from a related company.

Particulars of amounts due from related companies included in other receivables, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At	Maximum	At	Maximum	At
	31 December	amount	31 December	amount	1 January
	2021	outstanding	2020	during	2020
	HK\$'000	during	HK\$'000	the year	HK\$'000
		the year		the year	
		HK\$'000		HK\$'000	
South China Financial Credits Limited (“SCFCL”) <sup>#</sup>	888	4,572	4,572	4,572	813
South China Strategic Limited (“SCSL”) <sup>*</sup>	4,748	4,748	–	–	–
South China Media Limited (“SCML”) <sup>^</sup>	423	423	–	6	6
South China Media Management Limited (“SCMML”) <sup>^</sup>	N/A	290	290	1,608	1,608
	<b>6,059</b>		<b>4,862</b>		<b>2,427</b>

<sup>#</sup> SCFCL is a subsidiary of South China Assets Holdings Limited, a director of which is also a director of the Company.

<sup>\*</sup> SCSL is a subsidiary of South China Holdings Company Limited, a director of which is also a director of the Company.

<sup>^</sup> A director of SCML and SCMML is also a director of the Company.

The amounts are unsecured, non-interest-bearing and are repayable on demand.

## Notes to Financial Statements

31 December 2021

### 27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK\$'000	2020 HK\$'000
Derivative financial assets		
Foreign exchange contracts	–	505

As at 31 December 2020, the Group entered into various leveraged foreign exchange contracts for trading and investment purpose. These contracts were not designated for hedge purpose and were measured at fair value through profit and loss.

### 28. CASH AND BANK BALANCES

	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	90,274	87,400

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$55,918,000 (2020: HK\$36,777,000). The RMB held in Mainland China is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

**29. CASH HELD ON BEHALF OF CLIENTS**

The Group maintains segregated trust accounts with licensed banks to hold securities, futures and forex clients' monies arising from its normal course of business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Group is liable for any loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

**30. CLIENT DEPOSITS**

The Group's client deposits arose from securities, forex, bullion and commodities dealings business.

The client deposits are unsecured, bear interest at the bank deposit savings rate or rates that are mutually agreed and are repayable on demand.

Included in client deposits as at 31 December 2021 are deposits from directors, the directors' close family members and companies in which certain directors have beneficial interests totalling HK\$14,992,000 (2020: HK\$5,159,000), which are subject to similar terms offered by the Group to its major clients.

**31. TRADE PAYABLES**

The Group's trade payables arose from securities, forex, bullion, commodities dealings, Media Services and jewellery business during the year.

An ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 1 to 3 months	<b>49,676</b>	174,871

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

In respect of Media Services and jewellery business, the credit period granted by the creditors ranges from 0 to 90 days and the trade payables are non-interest-bearing.

## Notes to Financial Statements

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### 32. OTHER PAYABLES AND ACCRUALS

	Notes	2021 HK\$'000	2020 HK\$'000
Contract liabilities	(a)	–	96
Other payables	(b)	52,939	27,804
Accruals		9,861	10,092
		<b>62,800</b>	<b>37,992</b>

Notes:

- (a) Details of contract liabilities are as follows:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Short-term advances received from customers		
Media publications and financial public relation services	–	96

The decrease in contract liabilities in 2021 was mainly due to the decrease in advances received from customers in relation to the media publications and financial public relation services at the end of the year.

- (b) Other payables are non-interest-bearing and have an average term of two months. Included in other payables is an amount of HK\$2,466,000 (2020: HK\$802,000) due to a related company, SCAH, which is unsecured, interest-free and repayable on demand.

**33. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	2021			2020		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Lease liabilities (note 15)	3.59% to 7%	2022	3,216	6.16% to 7%	2021	2,939
Bank overdrafts — secured	N/A	N/A	—	HIBOR +2.5%	On demand	18,068
Bank overdrafts — unsecured	N/A	On demand	16,852	N/A	N/A	—
Bank loans — secured	HIBOR +1.25% to HIBOR +2.75%	On demand	328,366	HIBOR +1.25% to HIBOR +2.75%	On demand	319,699
	HIBOR +2.5%	2022	22,287	HIBOR +2.5%	2021	18,125
	5.22% to 5.66%	On demand	6,116	5.22% to 5.66%	On demand	6,014
Bank loans — unsecured	HIBOR +3.5% to HIBOR +3.75%	On demand	3,000	HIBOR +3.5% to HIBOR +3.75%	On demand	3,000
Other loans — unsecured	6.5% to 7%	On demand	2,263	6.5% to 7%	On demand	2,875
			<u>382,100</u>			<u>370,720</u>
<b>Non-current</b>						
Lease liabilities (note 15)	3.59% to 7%	2023	1,364	6.16% to 7%	2022–2023	3,025
Bank loans — secured	HIBOR +2.5%	2023	94,671	HIBOR +2.5%	2022–2023	132,012
			<u>96,035</u>			<u>135,037</u>
			<u>478,135</u>			<u>505,757</u>

## Notes to Financial Statements

31 December 2021

### 33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	376,621	364,906
In the second year	84,096	37,309
In the third to fifth years, inclusive	10,575	94,703
	<b>471,292</b>	<b>496,918</b>
Other borrowings repayable:		
Within one year or on demand	5,479	5,814
In the second year	1,364	2,308
In the third to fifth years, inclusive	—	717
	<b>6,843</b>	<b>8,839</b>
	<b>478,135</b>	<b>505,757</b>

Notes:

- (i) HIBOR represents the Hong Kong Interbank Offered Rate.
- (ii) As at 31 December 2020, the Group's overdraft facilities amounting to HK\$88,000,000, of which HK\$18,068,000 had been utilised at the end of the reporting period. Certain bank overdraft was secured by the pledge of certain of the Group's listed equity investments amounting to HK\$23,236,000 (note 24). As at 31 December 2021, the Group's bank overdraft amounting to HK\$16,852,000 was unsecured.
- (iii) Certain of the Group's bank loans are secured by the Group's:
  - (a) Investment properties situated in Hong Kong, which had a fair value at the end of the reporting period of approximately HK\$526,200,000 (2020: HK\$526,000,000) (note 14);
  - (b) Listed equity investments belonging to the Group and clients totalling approximately HK\$387,466,000 (2020: HK\$347,861,000) were pledged to banks to secure bank loans granted to a subsidiary of the Group at the end of the reporting period (notes 20, 21 and 24); and
  - (c) Floating charges over the Group's inventories totalling HK\$12,231,000 (2020 HK\$12,028,000) (note 23).

In addition, Nanjing Minxing Credit Guarantee Co., Ltd, a third party, has guaranteed certain of the Group's bank loans of HK\$6,116,000 (2020: HK\$6,014,000) as at the end of the reporting period.
- (iv) The Group's other loans are unsecured, bear interest at rates ranging from 6.5% to 7% per annum and are repayable on demand.
- (v) Except for other loans of HK\$2,263,000 (2020: HK\$2,875,000) and bank loans of HK\$6,116,000 (2020: HK\$6,014,000) which are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.

**34. CONVERTIBLE BONDS**

On 7 April 2020, the Company entered into the conditional subscription agreement with Total Grace Investments Limited (“Total Grace”), a company beneficially owned by an executive director, in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of HK\$50,000,000 at the conversion price of HK\$0.22 per share. The convertible bonds in an aggregate principal amount of HK\$50,000,000 were issued by the Company to Total Grace on 30 June 2020.

The convertible bonds have a maturity date (i.e. 29 June 2023) of 3 years from the date of issue and interest-free. The convertible bonds contain a right to convert at a maximum of 227,272,727 shares of the Company at the conversion price of HK\$0.22 per share. Unless previously converted or purchased or redeemed, the Company would redeem the convertible bonds on the maturity date at the redemption amount, which was 100% of the principal amount of the convertible bonds then outstanding. In addition, Total Grace has the right to request the Company to redeem the convertible bonds in cash or convert into the Company’s shares at anytime before the maturity date.

On 31 December 2021, Total Grace confirmed its intention to continue to hold the convertible bonds; and not to demand for conversion of the convertible bonds to ordinary shares of the Company nor demand for repayment of the amount due to it for not less than twelve months from 31 December 2021. Accordingly, the convertible bonds were classified under non-current liabilities as at 31 December 2021.

The movements of the convertible bonds during the year are as follows:

	2021 HK\$’000	2020 HK\$’000
As at 1 January	57,960	–
Nominal value of convertible bonds issued during the year	–	50,000
(Gain)/loss from change in fair value	(6,687)	7,960
As at 31 December	<b>51,273</b>	57,960

The following table illustrates the fair value measurement hierarchy of the Group’s convertible bonds:

	<b>Fair value measurement as at 31 December using significant unobservable inputs (Level 3)</b>	
	2021 HK\$’000	2020 HK\$’000
Fair value measurement for convertible bonds	<b>51,273</b>	57,960

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### 34. CONVERTIBLE BONDS (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

The fair value of convertible bonds is determined using Hull Binomial Tree model and below is a summary of significant unobservable inputs to the valuation of convertible bonds:

	2021	2020
Risk free rate	0.45%	0.10%
Volatility	97.00%	78.00%
Discount rate	10.80%	5.39%

A significant increase/decrease in the above key assumptions would result in a significant increase/decrease in the fair value of the convertible bonds.

### 35. SHARE CAPITAL

#### Shares

	2021	2020
	HK\$'000	HK\$'000
Issued and fully paid:		
301,277,070 (2020: 301,277,070) ordinary shares	1,085,474	1,085,474

### 36. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) which became effective on 11 June 2012. Under the Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company’s shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme operated by the Company. Details of the Scheme are as follows:

#### (1) Purpose of the Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds any equity interest (the “Invested Entity”), the shareholders of the Company approved the adoption of the Scheme at the annual general meeting held on 5 June 2012.

#### (2) Participants of the Scheme

According to the Scheme, the board may, at its discretion, grant share options to any person in any of the following classes of participants:

- (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;
- (ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;
- (iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;
- (iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;
- (v) any business partner, agent, consultant, contractor or representatives of any member of the Group or any Invested Entity or substantial shareholder;
- (vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

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### 36. SHARE OPTION SCHEME (Continued)

#### (2) Participants of the Scheme (Continued)

- (vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;
- (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;
- (ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and
- (x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

#### (3) Total number of shares available for issue under the Scheme

The maximum number of shares in respect of which share options may be granted under the Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, that is, a total of 10,056,669 shares with adjustment to the Share Consolidation implemented during the year ended 31 December 2018. Options which lapsed in accordance with the terms of the Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

As at 31 December 2020 and 2021, the share options under the 2012 Share Option Scheme were all lapsed.

#### (4) Maximum entitlement of each participant

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable law and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

**36. SHARE OPTION SCHEME** (Continued)**(4) Maximum entitlement of each participant** (Continued)

Any grant of share option to a connected person (as defined in the Listing Rules) or his associates (as defined in the Listing Rules) must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the Grantee of the Option).

Where a grant of share options is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of share options, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve (12) months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of HK\$5 million (or such other amount or on such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share options must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting (except where such connected person(s) intends to vote against the proposed grant of share options and his intention to do so has been stated in the circular).

**(5) Period within which the shares must be taken up under an option**

The board may, at its absolute discretion, determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

**(6) Minimum period, if any, for which an option must be held before it can be exercised**

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. However, the terms of the 2012 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

**(7) Amount payable upon acceptance of the option and the period within which payment must be made**

An amount of HK\$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the options.

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### 36. SHARE OPTION SCHEME (Continued)

#### (8) Basis of determining the exercise price of the option

The exercise price is determined by the board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

#### (9) Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were lapsed under the Scheme during the year ended 31 December 2020:

	2020	
	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	9.750	155
Lapsed during the year	9.750	(155)
At 31 December	—	—

**36. SHARE OPTION SCHEME** (Continued)**(9) Remaining life of the Scheme** (Continued)

Particulars of the outstanding share options granted under the Scheme and the movements of such share options during the year ended 31 December 2020 are as follows:

Name or category of participant	Number of share options				Outstanding as at 31 December 2020	Number of ordinary shares issuable upon the exercise of the outstanding share options	Exercise price per share HK\$	Date of grant of share options	Exercise periods of share options
	Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year					
Employees	155,385	-	-	(155,385)	-	-	9.750	09/06/2015	09/06/2018-08/06/2020

No share options were granted and no share option expense were recognised during the years ended 31 December 2020 and 2021.

At the end of the reporting period, the Company had no share option outstanding under the Scheme.

## Notes to Financial Statements

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### 37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 63 of the financial statements.

### 38. OTHER COMPREHENSIVE LOSS FOR THE YEAR

	2021 HK\$'000	2020 HK\$'000
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	1,497	(284)
Exchange differences on translation of foreign operations	664	5,305
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	2,161	5,021
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(2,799)	(6,790)
Other comprehensive loss for the year	(638)	(1,769)

**39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****(a) Major non-cash transactions**

During year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$3,138,000 (2020: Nil) and HK\$3,138,000 (2020: Nil) respectively in respect of lease arrangements for office properties.

**(b) Change in liabilities arising from financing activities****2021**

	Notes	Interest-bearing bank and other borrowings less bank overdrafts HK\$'000	Convertible bonds HK\$'000
At 1 January 2021		487,689	57,960
Changes from financing cash flows			
— interest-bearing bank borrowings		(24,410)	—
— other borrowings		(612)	—
— lease payments		(3,990)	—
Foreign exchange movement		(163)	—
Interest expense	15	(369)	—
New leases	15	3,138	—
Fair value change	34	—	(6,687)
At 31 December 2021		461,283	51,273

**2020**

	Notes	Interest-bearing bank and other borrowings less bank overdrafts HK\$'000	Convertible bonds HK\$'000
At 1 January 2020		516,784	—
Changes from financing cash flows			
— interest-bearing bank borrowings		(24,108)	—
— other borrowings		(1,962)	—
— lease payments		(3,971)	—
— convertible bonds		—	50,000
Foreign exchange movement		725	—
Interest expense	15	510	—
COVID-19-related rent concessions from lessors	15	(289)	—
Fair value change	34	—	7,960
At 31 December 2020		487,689	57,960

## Notes to Financial Statements

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### 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Total cash outflow for leases

The total cash outflow for leases during the year ended 31 December 2021 included in the statement of cash flows within financing activities was HK\$3,990,000 (2020: HK\$3,971,000) and within operating activities was HK\$9,893,000 (2020: HK\$12,234,000).

### 40. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 33 to the financial statements.

### 41. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for:		
Capital contributions to subsidiaries	12,231	11,915
Capital contributions to an associate	8,562	8,341
	<b>20,793</b>	<b>20,256</b>

### 42. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2021 HK\$'000	2020 HK\$'000
Commission and brokerage income	(i)	1,362	1,448
Interest income arising from margin financing	(ii)	764	409
Rental and building management fee expenses	(iii)	10,230	12,234
Loan interest income	(iv)	329	445

**42. CONNECTED AND RELATED PARTY TRANSACTIONS** (Continued)**(a)** (Continued)

The related party transactions also constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

- i. Commission and brokerage income relating to the Group's securities broking business and the rate was determined by reference to commission and brokerage fees charged to third parties.
- ii. Interest income related to the Group's margin financing business and the amount was calculated based on the Hong Kong dollar prime rate per annum which is similar to the rate offered to the Group's major clients.
- iii. Rental and building management expenses relating to the leasing of the Group's office premises were charged on a cost reimbursement basis.
- iv. Loan interest income relating to the finance lease was charged on terms mutually agreed between the relevant parties.

**(b) Other transactions with related/connected parties:****Year ended 31 December 2020**

On 7 April 2020, the Company entered into the subscription agreement with Total Grace, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bonds of the Company in an aggregate principal amount of HK\$50,000,000. Further details of the convertible bonds are contained in the Company's announcement dated 30 June 2020 and note 34 to the financial statements.

**(c) Compensation of key and senior management personnel of the Group:**

The executive directors are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 9 to the financial statements.

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### 43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2021**

#### *Financial assets*

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial assets at amortised cost HK\$'000	Total HK\$'000
	Designated upon initial recognition HK\$'000	Mandatorily designated as such HK\$'000	Debt investments HK\$'000	Equity investments HK\$'000		
Other assets	–	–	–	–	7,255	7,255
Equity investments designated at fair value through other comprehensive income	–	–	–	20,650	–	20,650
Debt investments at fair value through other comprehensive income	–	–	4,060	–	–	4,060
Loans receivable	–	–	–	–	137,850	137,850
Trade receivables	–	–	–	–	62,317	62,317
Financial assets at fair value through profit or loss	3,999	204,174	–	–	–	208,173
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	28,362	28,362
Cash held on behalf of clients	–	–	–	–	452,486	452,486
Cash and bank balances	–	–	–	–	90,274	90,274
	<b>3,999</b>	<b>204,174</b>	<b>4,060</b>	<b>20,650</b>	<b>778,544</b>	<b>1,011,427</b>

**43. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

2021 (Continued)

*Financial liabilities*

	Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Client deposits	—	450,658	450,658
Trade payables	—	49,676	49,676
Financial liabilities included in other payables and accruals	—	52,939	52,939
Convertible bonds	51,273	—	51,273
Deposits received	—	945	945
Interest-bearing bank and other borrowings	—	478,135	478,135
	<b>51,273</b>	<b>1,032,353</b>	<b>1,083,626</b>

## Notes to Financial Statements

31 December 2021

### 43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2020

#### Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial assets at amortised cost HK\$'000	Total HK\$'000
	Designated upon initial recognition HK\$'000	Mandatorily designated as such HK\$'000	Debt investments HK\$'000	Equity investments HK\$'000		
Other assets	–	–	–	–	6,689	6,689
Equity investments designated at fair value through other comprehensive income	–	–	–	23,450	–	23,450
Debt investments at fair value through other comprehensive income	–	–	2,563	–	–	2,563
Loans receivable	–	–	–	–	240,228	240,228
Trade receivables	–	–	–	–	197,612	197,612
Derivative financial instruments	–	505	–	–	–	505
Financial assets at fair value through profit or loss	7,499	253,507	–	–	–	261,006
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	48,219	48,219
Cash held on behalf of clients	–	–	–	–	524,708	524,708
Cash and bank balances	–	–	–	–	87,400	87,400
	7,499	254,012	2,563	23,450	1,104,856	1,392,380

**43. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

2020 (Continued)

**Financial liabilities**

	Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Client deposits	—	605,918	605,918
Trade payables	—	174,871	174,871
Financial liabilities included in other payables and accruals	—	37,351	37,351
Convertible bonds	57,960	—	57,960
Deposits received	—	1,373	1,373
Interest-bearing bank and other borrowings	—	505,757	505,757
	57,960	1,325,270	1,383,230

**44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and bank balances, cash held on behalf of clients, other assets, the current portion of loans receivable, trade receivables, financial assets included in prepayments, other receivables and other assets, clients deposits, trade payables, financial liabilities included in other payables and accruals, deposits received, the current portion of interest-bearing bank and other borrowings and balances with subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management.

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### 44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings, deposits and a subordinated loan to a subsidiary have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted debt investments which represented club debentures have been estimated based on market transaction prices. The fair values of derivative financial instruments are measured based on quoted market prices. The fair values of convertible bonds are estimated in accordance with generally accepted pricing models based on discounted cash flow analysis.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Assets measured at fair value:</i>				
Equity investments designated at fair value through other comprehensive income	20,650	–	–	20,650
Debt investments at fair value through other comprehensive income	–	4,060	–	4,060
Financial assets at fair value through profit or loss	208,173	–	–	208,173
	<b>228,823</b>	<b>4,060</b>	<b>–</b>	<b>232,883</b>
<i>Liabilities measured at fair value:</i>				
Convertible bonds	–	–	51,273	51,273

**44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (Continued)**Fair value hierarchy** (Continued)

As at 31 December 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Assets measured at fair value:</i>				
Equity investments designated at fair value through other comprehensive income	23,450	–	–	23,450
Debt investments at fair value through other comprehensive income	–	2,563	–	2,563
Financial assets at fair value through profit or loss	261,006	–	–	261,006
Derivative financial instruments	–	505	–	505
	<b>284,456</b>	<b>3,068</b>	<b>–</b>	<b>287,524</b>
<i>Liabilities measured at fair value:</i>				
Convertible bonds	–	–	57,960	57,960

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

# Notes to Financial Statements

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## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, convertible bonds, cash and short term deposits and listed equity investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate net borrowings).

	Change in basis points	Change in loss before tax HK\$'000
<b>2021</b>		
Hong Kong dollar	50	2,326
<b>2020</b>		
Hong Kong dollar	50	2,455

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The Group's concentration of credit risk is mainly in Hong Kong by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Credit risk** (Continued)**Maximum exposure and year-end staging**

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

**As at 31 December 2021**

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Other assets					
— Normal**	7,255	—	—	—	7,255
Debt investments at fair value through other comprehensive income					
— Normal**	4,060	—	—	—	4,060
Loans receivable					
— Normal**	127,791	15,190	39,128	—	182,109
Trade receivables*	—	—	—	69,030	69,030
Financial assets included in prepayments, other receivables and other assets					
— Normal**	28,362	—	3,487	—	31,849
Cash held on behalf of clients					
— No yet past due	452,486	—	—	—	452,486
Cash and bank balances					
— No yet past due	90,274	—	—	—	90,274
	<b>710,228</b>	<b>15,190</b>	<b>42,615</b>	<b>69,030</b>	<b>837,063</b>

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### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit risk (Continued)

#### Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month		Lifetime ECLs		
	ECLs		ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other assets					
— Normal**	6,689	—	—	—	6,689
Debt investments at fair value through other comprehensive income					
— Normal**	2,563	—	—	—	2,563
Loans receivable					
— Normal**	225,796	12,943	39,628	—	278,367
Trade receivables*	—	—	—	205,260	205,260
Financial assets included in prepayments, other receivables and other assets					
— Normal**	48,219	—	6,867	—	55,086
Cash held on behalf of clients					
— No yet past due	524,708	—	—	—	524,708
Cash and bank balances					
— No yet past due	87,400	—	—	—	87,400
	895,375	12,943	46,495	205,260	1,160,073

\* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 25 and 27 to the financial statements, respectively.

\*\* The credit quality of the financial assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from loans and trade receivables are disclosed in notes 20 and 25 to the financial statements, respectively.

#### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., loans and trade receivables) and projected cash flows from operations.

**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Liquidity risk** (Continued)

The Group's borrowings from banks during the year are mainly for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month, and they are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers are able to be realised in the market within a reasonable period of time.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	2021		Total HK\$'000
			3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Client deposits	450,658	–	–	–	450,658
Convertible bonds*	–	–	–	50,000	50,000
Lease liabilities	–	859	2,417	1,387	4,663
Interest-bearing bank and other borrowings (excluding lease liabilities)	341,581	10,098	30,235	95,423	477,337
Trade payables	–	49,676	–	–	49,676
Financial liabilities included in other payables and accruals	–	62,800	–	–	62,800
Deposits received	–	–	–	945	945
	<b>792,239</b>	<b>123,433</b>	<b>32,652</b>	<b>147,755</b>	<b>1,096,079</b>

\* On 31 December 2021, Total Grace confirmed its intention to continue to hold the convertible bonds; and not to demand for conversions of the convertible bonds to ordinary shares of the Company nor demand for repayment of the amount due to it for not less than twelve months from 31 December 2021.

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### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

	On demand HK\$'000	2020			Total HK\$'000
		Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Client deposits	605,918	–	–	–	605,918
Convertible bonds	50,000	–	–	–	50,000
Lease liabilities	–	684	2,557	3,178	6,419
Interest-bearing bank and other borrowings (excluding lease liabilities)	306,013	35,523	30,654	156,225	528,415
Trade payables	–	174,871	–	–	174,871
Financial liabilities included in other payables and accruals	–	37,351	–	–	37,351
Deposits received	–	–	–	1,373	1,373
	961,931	248,429	33,211	160,776	1,404,347

#### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 24) and equity investments designated at fair value through other comprehensive income (note 21) at the end of the reporting period. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments designated at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Equity price risk** (Continued)

	Carrying amount of equity investments HK\$'000	Change in loss before tax HK\$'000	Change in equity* HK\$'000
<b>2021</b>			
Investments listed in:			
Hong Kong — Equity investments designated at fair value through other comprehensive income	20,650	—	2,065
— Mandatorily designated	204,174	20,417	—
— Designated upon initial recognition	3,999	400	—
<b>2020</b>			
Investments listed in:			
Hong Kong — Equity investments designated at fair value through other comprehensive income	23,450	—	2,345
— Mandatorily designated	253,507	25,351	—
— Designated upon initial recognition	7,499	750	—

\* Excluding accumulated losses

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management (Continued)

Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the “SFC”) and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure that the Company’s regulated subsidiaries are in compliance with related regulations. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group’s policy is to maintain the gearing ratio below 50%. Net debt is interest-bearing bank borrowings, other borrowings and convertible bonds, less cash and bank balances. Capital represents total equity. The gearing ratios at the end of the reporting periods were as follows:

	2021 HK\$’000	2020 HK\$’000
Interest-bearing bank and other borrowings (note 33)	478,135	505,757
Convertible bonds (note 34)	51,273	57,960
Less: Cash and bank balances	(90,274)	(87,400)
Net debt	439,134	476,317
Capital	487,238	565,404
Capital and net debt	926,372	1,041,721
Gearing ratio	47.4%	45.7%

**46. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following tables represent details of financial instruments subject to offsetting:

	2021					
	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$'000	Net amounts of financial assets presented in the statement of financial position HK\$'000	Related amounts not set off in the statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
Assets						
Trade receivables	70,148	(7,831)	62,317	-	-	62,317

	2021					
	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK\$'000	Net amounts of financial liabilities presented in the statement of financial position HK\$'000	Related amounts not set off in the statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
Liabilities						
Trade payables	57,507	(7,831)	49,676	-	-	49,676

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### 46. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	2020					
	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$'000	Net amounts of financial assets presented in the statement of financial position HK\$'000	Related amounts not set off in the statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
<b>Assets</b>						
Trade receivables	318,186	(120,574)	197,612	-	-	197,612
Loans receivable	269,429	(29,201)	240,228	-	-	240,228
Derivative financial instruments	505	-	505	-	(505)	-
	588,120	(149,775)	438,345	-	(505)	437,840

	2020					
	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK\$'000	Net amounts of financial liabilities presented in the statement of financial position HK\$'000	Related amounts not set off in the statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
<b>Liabilities</b>						
Trade payables	324,646	(149,775)	174,871	-	-	174,871

**47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries		446,859	494,696
Subordinated loan to a subsidiary	(a)	100,000	100,000
Intangible assets		301	370
Total non-current assets		547,160	595,066
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets		151	145
Cash and bank balances		288	3,114
Total current assets		439	3,259
<b>CURRENT LIABILITIES</b>			
Other payables		334	334
Bank overdrafts		120	–
Convertible bonds		–	57,960
Total current liabilities		454	58,294
<b>NET CURRENT LIABILITIES</b>		(15)	(55,035)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		547,145	540,031
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		51,273	–
Amounts due to subsidiaries		9,374	9,375
Total non-current liabilities		60,647	9,375
Net assets		486,498	530,656
<b>EQUITY</b>			
Share capital		1,085,474	1,085,474
Reserves	(b)	(598,976)	(554,818)
Total equity		486,498	530,656

On behalf of the Board

**Ng Yuk Mui Jessica**  
Director

**Cheung Choi Ngor**  
Director

# Notes to Financial Statements

31 December 2021

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (a) The Company's subordinated loan to a subsidiary, South China Securities Limited, is unsecured, bears interest at a rate of 2% below the Hong Kong dollar prime rate (2020: 2% below the Hong Kong dollar prime rate) per annum, and is repayable on a date as agreed between the Company and the subsidiary, subject to the overriding provision of the subordinated loan agreement that, if the subsidiary becomes insolvent or unable to meet the liquid capital requirements set out in the Hong Kong Securities and Futures (Financial Resources) Rules, the repayment of the loan will be subordinated to the prior repayment of all other creditors of the subsidiary. In the opinion of the directors, the balance is not repayable within one year.
- (b) A summary of the Company's reserves is as follows:

	Share option reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
At 31 December 2019 and at 1 January 2020	815	(444,043)	(443,228)
Total comprehensive loss for the year	–	(111,590)	(111,590)
Transfer of share options reserve upon the forfeiture of share options	(815)	815	–
At 31 December 2020 and at 1 January 2021	–	<b>(554,818)</b>	<b>(554,818)</b>
Total comprehensive loss for the year	–	<b>(44,158)</b>	<b>(44,158)</b>
At 31 December 2021	–	<b>(598,976)</b>	<b>(598,976)</b>

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to accumulated losses should the related options are exercised, or expire or lapse.

## 48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2022.

# Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

## RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>CONTINUING OPERATIONS</b>					
Revenue	106,861	89,489	204,119	143,913	254,335
(Loss)/profit before tax	(79,462)	(255,896)	(74,231)	(227,138)	53,417
Tax	1,934	(12,750)	(3,275)	(894)	(878)
(Loss)/profit for the year from continuing operations	(77,528)	(268,646)	(77,506)	(228,032)	52,539
<b>DISCONTINUED OPERATION</b>					
Net gain/(loss) for the year from a discontinued operation	—	—	319	(11,734)	—
(Loss)/profit for the year	(77,528)	(268,646)	(77,187)	(239,766)	52,539
Attributable to:					
Equity holders of the Company					
— For (loss)/profit from continuing operations	(77,234)	(268,229)	(77,884)	(228,016)	52,539
— For profit/(loss) from a discontinued operation	—	—	319	(11,734)	—
— For (loss)/profit for the year	(77,234)	(268,229)	(77,565)	(239,750)	52,539
Non-controlling interests	(294)	(417)	378	(16)	—
	(77,528)	(268,646)	(77,187)	(239,766)	52,539

## Five Year Financial Summary

### RESULTS (Continued)

	2021	Year ended 31 December			
		2020	2019	2018	2017
(Loss)/earnings per share (HK cents):					
Basic and diluted					
— For (loss)/profit for the year	(25.6)	(89.0)	(25.7)	(79.6)	17.4
Basic and diluted					
— For (loss)/profit from continuing operations	(25.6)	(89.0)	(25.9)	(75.7)	17.4
Dividend per share (HK cents)	—	—	—	—	—

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2021	As at 31 December			
		2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TOTAL ASSETS</b>	<b>1,612,131</b>	1,996,912	2,080,254	2,287,399	2,610,784
<b>TOTAL LIABILITIES</b>	<b>(1,124,893)</b>	(1,431,508)	(1,244,435)	(1,373,039)	(1,444,088)
<b>NON-CONTROLLING INTERESTS</b>	<b>(2,183)</b>	(2,439)	(2,692)	(831)	—
	<b>485,055</b>	562,965	833,127	913,529	1,166,696