中金投集团

China Financial Services Holdings Ltd

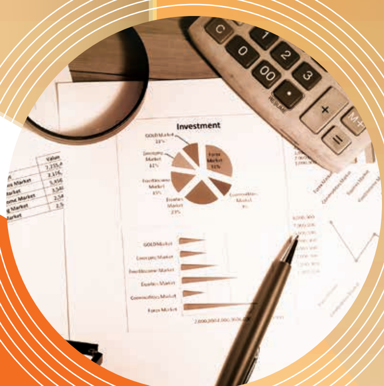
China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 605)

ANNUAL REPORT

2021



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Min *(Chief Executive Officer)*
Dr. Cheung Chai Hong

Non-executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Wu Xinjiang
Mr. Tao Chun

Independent Non-executive Directors

Mr. Chan Chun Keung
Mr. Lee Ka Wai
Dr. Zhang Xiao Jun
Madam Zhan Lili

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, FCA, CTA

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

AUDIT COMMITTEE

Mr. Lee Ka Wai *(Chairman)*
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun
Mr. Wu Xinjiang
Madam Zhan Lili

REMUNERATION COMMITTEE

Mr. Lee Ka Wai *(Chairman)*
Mr. Chan Chun Keung
Mr. Tao Chun
Dr. Zhang Xiao Jun
Madam Zhan Lili

NOMINATION COMMITTEE

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chan Chun Keung
Mr. Lee Ka Wai
Mr. Tao Chun
Dr. Zhang Xiao Jun
Madam Zhan Lili

BUSINESS RISKS COMMITTEE

Mr. Zhang Min *(Chairman)*
Mr. Lee Ka Wai
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun
Madam Zhan Lili

SHARE REGISTRAR

Tricor Tengis Limited
17/F,
Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

STOCK CODE: 605

WEBSITE

www.cfsh.com.hk

INVESTORS RELATION

0605ir@cfsh.com.hk

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	Percentage change
	HK$'000	HK$'000	%
Interest and services income	**304,593**	713,939	(57.3)
Loss for the year attributable to owners of the Company	**(250,065)**	(1,216,632)	(79.4)
	HK$	HK$ (Adjusted)	
Basic loss per share	**(1.24)**	(5.94)	(79.1)

CHAIRMAN'S STATEMENT

In the first half of 2021, China's economy has experienced a gradual recovery, although growth started to slow in the final months of the year. GDP expanded by 8.1% year-on-year in 2021 on strong recovery of exports, beating the government's target of 6%. In particular, stricter regulations on property developers has led to uncertainties in the real estate sector, which is closely tied to the Company's core business of mortgage lending.

Following the Company's announcements on 18 October 2020 about the unauthorized guarantees and loans executed by Mr. Luo Rui, the former Chief Executive Officer and former executive director and Madam Guan Xueling, the former executive director, the Company has been working tirelessly in attempt to fulfil the Resumption Guidance listed by the Hong Kong Stock Exchange on 28 June 2021.

On 29 March 2021, shares of the Company have suspended trading pending release of the Company's 2020 and 2021 annual results. The Company has been working tirelessly on fulfilling the Resumption Guidance set out by the Hong Kong Stock Exchange on 25 June 2021. The Company has made major changes to its internal control policies and corporate governance measures in order to prevent similar Incidents from happening in the future.

Meanwhile, the Company continued to improve and optimize its corporate structure in order to strengthen risk management and enhance productivity. The adoption of technology, namely the Fintech online lending platform Oyster Pie in Hong Kong, has given the Company's insights on how to make our operations more efficient across multiple regions.

I would like to express my gratitude to my fellow board members, senior management, shareholders, clients and business partners for their support amid the challenges the Company has been facing. Along with the upcoming challenges and opportunities beyond 2021, the Group calls on all stakeholders to be united as one, and a brighter future awaits!

Chan Yuk Ming
Chairman

Hong Kong, 2 December 2022

The Board of Directors (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2021.

Corporate Governance Practices

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the "Group") to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with the code provisions as set out in the CG Code, except for code provision A.2.1 and A.6.1 and details will be set out below.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2021.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether the director is spending sufficient time performing them.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises nine directors, consisting of two executive directors, three non-executive directors and four independent non-executive directors, as follows:

Executive Directors

Mr. Zhang Min *(Chief Executive Officer and Chairman of Business Risks Committee)*
Dr. Cheung Chai Hong

Non-executive Directors

Mr. Chan Yuk Ming *(Chairman of the Board and Nomination Committee)*
Mr. Tao Chun *(Member of the Remuneration Committee and Nomination Committee)*
Mr. Wu Xinjiang *(Member of the Audit Committee)*

Independent Non-executive Directors

Mr. Chan Chun Keung *(Member of the Audit Committee, Remuneration Committee, Nomination Committee and Business Risks Committee)*
Mr. Lee Ka Wai *(Chairman of the Audit Committee and Remuneration Committee, Member of Nomination Committee and Business Risks Committee)*
Dr. Zhang Xiao Jun *(Member of the Audit Committee, Remuneration Committee, Nomination Committee and Business Risks Committee)*
Madam Zhan Lili *(Member of the Audit Committee, Remuneration Committee, Nomination Committee and Business Risks Committee)*

The biographical information of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 28 of the annual report for the year ended 31 December 2021.

The relationships between the directors are disclosed in the respective director's biography under the section "Biographical Details of Directors and Senior Management" on pages 23 to 28.

Chairman and Chief Executive Officer

Code provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

For the year ended 31 December 2021, the Chairman of the Board is Mr. Chan Yuk Ming and there is no Chief Executive Officer. The Board is looking for a suitable Chief Executive Officer to fulfill the CG Code. On 22 November 2022, Mr. Zhang Min, an executive director of the Company was appointed as the Chief Executive Officer of the Company.

The Board considers that the Chairman's responsibilities are to manage the Board whereas the Chief Executive Officer's responsibilities are to manage the Company's businesses. The responsibilities of the Chairman and the Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

Appointment and Re-election of Directors

The non-executive directors (including independent non-executive directors) of the Company are appointed for a specific term of 1 year.

Under the articles of association of the Company, at each annual general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. The Company's articles of association also provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2021, a summary of training received by directors according to the records provided by the directors is as follows:

Directors	**Training on Corporate Governance, Regulatory Development and Other Relevant Topics**
Executive Directors	
Dr. Cheung Chai Hong	✓
Mr. Zhang Min[a]	✓
Non-executive Directors	
Mr. Chan Yuk Ming *(Chairman)*	✓
Madam Huang Mei[b]	✓
Mr. Dong Yibing[c]	✓
Mr. Wu Xinjiang[d]	✓
Mr. Tao Chun[e]	✓
Independent Non-executive Directors	
Mr. Chan Chun Keung	✓
Mr. Chan Wing Fai[f]	✓
Dr. Zhang Xiao Jun	✓
Madam Zhan Lili	✓
Mr. Lee Ka Wai[g]	✓

(a) Mr. Zhang Min was appointed as an non-executive director of the Company on 24 December 2021 and designated as an executive director of the Company on 17 October 2022.

(b) Madam Huang Mei resigned as a non-executive director of the Company on 4 March 2021.

(c) Mr. Dong Yibing resigned as a non-executive director of the Company on 12 April 2021.

(d) Mr. Wu Xinjiang was appointed as a non-executive director of the Company on 4 March 2021.

(e) Mr. Tao Chun was appointed as a non-executive director of the Company on 8 June 2021.

(f) Mr. Chan Wing Fai resigned as an independent non-executive director of the Company on 31 May 2021.

(g) Mr. Lee Ka Wai was appointed as an independent non-executive director of the Company on 31 May 2021.

Board Committees

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, and Business Risks Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees and posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held one meeting to discuss the final result for the year ended 31 December 2020 and significant issues on the financial reporting.

The Audit Committee also met the external auditors.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held five meetings to review the remuneration package of executive directors and senior management and the new non-executive and independent non-executive director for the year 2021.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held four meetings to consider and recommend to the Board the appointment of new non-executive directors and an independent non-executive director for the year 2021.

Business Risks Committee

The primary responsibility of the Business Risks Committee is to approve any loan, investment or guarantee transaction exceeding the sum of RMB30,000,000, other then notifiable transactions and connected transactions as defined by the Listing Rules which are approved by the Board. The Business Risks Committee reviews judgements of the loan approval committee and determines whether the proposed investment project is in the interests of the Company and shareholders of the Company as a whole. The Business Risks Committee is formed on 22 November 2022.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

The Board held twelve regular board meetings during the year ended 31 December 2021 for transacting company's business and the matters related to the Incidents.

Attendance Records of Directors

The attendance record of each director at the Board and Board meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Cheung Chai Hong	12/12	–	–	–
Chan Yuk Ming	10/12	–	–	4/4
Huang Mei[(1)]	0/12	1/1	–	–
Dong Yibing[(2)]	2/12	–	–	–
Chan Chun Keung	9/12	1/1	5/5	–
Chan Wing Fai[(3)]	2/12	1/1	–	1/4
Zhang Xiao Jun	6/12	1/1	–	–
Zhan Lili	10/12	1/1	5/5	2/4
Fang Feiyue	11/12	–	–	–
Wu Xinjiang[(4)]	7/12	–	–	–
Tao Chun[(5)]	6/12	–	–	–
Lee Ka Wai[(6)]	7/12	–	–	1/4
Zhang Min[(7)]		–	–	–

(1) Madam Huang Mei resigned as a non-executive director and a member of the Audit Committee of the Company on 4 March 2021.

(2) Mr. Dong Yibing resigned as a non-executive director and a member of the Remuneration Committee and the Nomination Committee of the Company on 12 April 2021.

(3) Mr. Chan Wing Fai resigned as an independent non-executive director, chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company on 31 May 2021.

(4) Wu Xinjiang was appointed as a non-executive director of the Company and a member of the Audit Committee of the Company on 4 March 2021.

(5) Tao Chun was appointed as a non-executive director of the Company, a member of the Remuneration Committee and the Nomination Committee of the Company on 8 June 2021.

(6) Lee Ka Wai was appointed as an independent non-executive director of the Company, chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company on 31 May 2021.

(7) Zhang Min was appointed as a non-executive director of the Company on 24 December 2021.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records, risk management control and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis. A bottom-up approach was employed for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The key elements of the risk management and internal control systems of the Company include the establishment of a register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure procedures which provide a general guide to the Company's directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Board and the management of the Company takes all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. In the event that there is evidence of any material violation of the procedure, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The directors are 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 of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 37 to 42.

Auditors' Remuneration

During the year under review, the remuneration paid to the auditors of the Group, is set out below:

Service Category	**Fees Paid/ Payable**
Audit Services	HK$2,380,000
Non-Audit Service	HK$25,000
	HK$2,405,000

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Suite 5606, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (For the attention of the Company Secretary)
Fax:	(852) 2598 8305
Email:	0605IR@cfsh.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the chairman of the Board and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its articles of association. An up to date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

On behalf of the Board
Chan Yuk Ming
Chairman

Industry Review

The global economy has been significantly impacted by COVID-19 since 2020. However, economic activities have begun to rebound in 2021 – China's GDP showed a strong rebound of 8.1% year-on-year growth, exceeding the government's target of 6% growth despite uncertain global economic environment and recurring COVID-19 cases. Towards the second half of 2021, uncertainties in the property sector sparked by financial difficulties of leading Chinese developers have impacted both real estate prices and transaction volumes.

The Group's principal business is loan services, with mortgages as the main revenue stream. Uncertainty in the property sector has brought challenges to the Group's business.

Business Review

The Group adopted a conservative approach in 2021 in all of the regions it was operating in. For Mainland Chinese cities, uncertainties in real estate market have led the Group to tighten risk management; meanwhile in Hong Kong, property prices were relatively stable in 2021 so our mortgage business was stable as well.

In 2021, the Group realized interest and services income of HK$304,593,000, down by 57.3% compared to the figure of last year.

Future Prospects

On 29 March 2021, shares of the Company have suspended trading pending release of the Company's annual results for the year 2020 and 2021. The Company has been working on fulfilling the Resumption Guidance set out by the Stock Exchange on 25 June 2021. Throughout 2021, the Company had been working tirelessly on multiple fronts in attempt to fulfil the Resumption Guidance, and has been updating our shareholders and the public via separate public announcements and quarterly business updates.

As business in Beijing region was impacted by the Incidents, the Group is actively trying to diversify its business geographically by growing its operations in Chengdu, Hong Kong and Shenzhen. During the year, the Group has also implemented certain internal control policies to enhance risk management system. From the year 2021 onwards, the Group will continue to improve our business with a sound internal control and risk management system.

Financial Review

Interest, guarantee and financing consultancy services income

Interest income and services income for pawn loans, micro-lending, money lending and other loan receivables amounted to approximately HK$304,593,000. Decrease in revenue was mainly due to (i) the Group has tightened risk management and took a conservative approach on granting new loans, (ii) cash received from repayment of clients was used to repay borrowings and bank loans, rather than generating new loans.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$207,377,000, representing a decrease of 36.1% compared to the corresponding figure in 2020.

Finance costs for normal business and provision of interest expenses and handling expenses due to the Incidents were approximately HK$62,069,000 and HK$145,308,000 respectively.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$182,929,000, down 33.9% as compared to last year. The decrease in general and administrative expenses was mainly due to decrease in general office expenses, staff costs and consultancy fee.

Loss for the year

Loss for the year attributable to owners of the Company was approximately HK$250,065,000, representing a decrease of 79.4% as compared to loss of approximately HK$1,216,632,000 for the corresponding period last year. Loss due to the impact of the Incidents amounted to approximately HK$149,130,000. Had the impact of the Incidents and the non-recurring impairment loss on goodwill been excluded, the Group would have achieved a profit attributable to owners of the Company of approximately HK$27 million.

Financial Resources and Capital Structure

The major non-current assets of the Group were mainly comprised of property, plant and equipment of approximately HK$22,498,000, loan receivables of approximately HK$322,096,000, goodwill of approximately HK$384,504,000, intangible assets of approximately HK$14,103,000, deposits of approximately HK$35,000,000, other financial assets of approximately HK$29,074,000, deferred tax assets of approximately HK$6,874,000 and interests in associates of approximately HK$19,535,000.

Current assets mainly comprised of loan receivables of approximately HK$1,816,339,000, interests receivables of approximately HK$8,273,000, contingent consideration receivables of approximately HK$7,115,000, other receivables, deposits and prepayments of approximately HK$62,101,000, amounts due from associates of approximately HK$67,137,000 and cash and cash equivalents of approximately HK$571,668,000.

Current liabilities mainly comprised of borrowings and loan payables of approximately HK$1,391,451,000, liabilities arising from loan guarantee contracts of approximately HK$121,942,000, consideration payables of approximately HK$97,429,000, security deposits received of approximately HK$3,075,000, unsecured bonds of approximately HK$219,489,000, other payables, accruals and deposit received of approximately HK$109,304,000, amount due to an associate of approximately HK$3,143,000, income received in advance of approximately HK$416,000, lease liabilities of approximately HK$9,555,000 and tax payables of about HK$182,597,000.

Non-current liabilities includes borrowings and loan payables of approximately HK$138,520,000, unsecured bonds of approximately HK$34,577,000, lease liabilities of approximately HK$5,720,000 and deferred tax liabilities of about HK$38,990,000.

Employee and Remuneration Policies

As at 31 December 2021, the Group had approximately 191 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were about HK$85,003,000 a decrease by 22.8% as compared to the corresponding figure of previous year.

In order to recognize and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the “Share Award Plan”) on 14 January 2019. As of the date of this report, no awards have been granted or agreed to be granted under the Share Award Plan.

Charge on assets

As at 31 December 2021, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK$243,000,000. Certain properties mortgaged to a subsidiary of the Company by its respective customers were pledged to secure loan facilities granted to the Group with a carrying value of approximately HK$21,600,000. As at 31 December 2021; approximately HK$161,078,000 loan receivables was pledged to the Bank of East Asia, Limited as security for the certain deferred payment in relation to the acquisition of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong.

Capital Management

The Group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt, which includes the borrowings and loan payables, bank loans, security deposits received, consideration payables, amount due to an associate, unsecured bonds and loan liabilities disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and other reserves.

Based on the Group's current and anticipated level of operation, the Group's future operations and capital requirements will be mainly financial through borrowings and share capital. There were no significant commitments for capital expenditure as at 31 December 2021.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

Executive Directors

Dr. Cheung Chai Hong, aged 36, is the executive director of the Group. He joined the Group in May 2014, Dr. Cheung is responsible for the daily operations of the Group.

Prior to joining us, he has been the managing director of POC Holdings (HK) Limited and the chairman and leading founder of The Wine Company Limited, a fine wine retail and trading company. Dr. Cheung previously worked in PAG Capital, an Asia-focused asset management company which has an asset under management size over US$16 billion. Prior to joining PAG Capital, he also worked in Barclays Capital and focused on equity research on the retail and FMCG sector. Dr. Cheung Chai Hong holds a Bachelor Degree in Business Studies from University of Warwick, a Master Degree in Analysis, Design and Management of Information Systems from London School of Economics and Political Science and a PhD Degree in International Economic Law from China University of Political Science and Law.

Dr. Cheung Chai Hong is the son of Mr. Cheung Siu Lam, a controlling shareholder of the Company and Madam Lo Wan, a substantial shareholder of the Company. Dr. Cheung is the nephew of Dr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Dr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Non-Executive Directors

Mr. Chan Yuk Ming, aged 63, joined the Group in 1985 and was the non-executive director of the Company and the vice-chairman of the Group until 30 September 2015. Mr. Chan rejoined the Group as non-executive director and chairman of the board on 30 September 2016 and was appointed as the chairman of the Nomination Committee of the Company on 13 July 2017. Mr. Chan graduated from the Hangzhou Institute of Business, following which he worked in the accounting department of the Ministry of Commerce.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Fang Feiyue, aged 56, joined the Group in August, 2020. Mr. Fang has extensive and in-depth experience in corporate management and investment. He holds a Bachelor Degree from Hohai University. He is currently the General Manager's Assistant in Charge and the Manager of the Investment Department of Beijing Wanfang Co., Ltd. ("Wanfang") (北京萬方有限公司).

Mr. Fang has rich experience in retail, and used to manage well-known chain convenience stores and processed food companies. Save as disclosed above, Mr. Fang Feiyue has not been a director of any listed company in Hong Kong or overseas in the last three years and does not hold any other position with the Company and its subsidiaries. He does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

As at year ended 31 December 2021

Mr. Zhang Min, aged 65, has extensive experience in finance and banking industry, Mr. Zhang joined the Group in December 2021.

Mr. Zhang holds a Bachelor of Philosophy Degree from the Beijing Normal College and a master of Laws Degree from the Renmin University of China. Since 23 March 2015, he was appointed as independent non-executive director of China Eco-Farming Limited (stock code: 8166), a company listed on the GEM of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He was an executive director of Value Convergence Holdings Limited (Stock code: 821), from 25 June 2018 to 2 December 2019. He was appointed as the chief executive officer and an executive director of Macrolink Capital Holdings Limited (stock code: 758) from 10 August 2016 to 22 August 2018. He was appointed as a non-executive director of China Fortune Financial Group Limited (Stock code: 290) on 8 December 2010. He was redesignated and appointed as chairman of the Board, executive director and a member of the remuneration committee of the company from 12 April 2011 to 30 June 2014. In addition, he was an independent non-executive director of Silver Base Group Holdings Limited (Stock code: 886) from 28 January 2011 to 1 April 2014. The aforesaid companies are listed on the Main Board of the Stock Exchange.

Mr. Zhang was also the chief marketing officer of the China Cinda Asset Management Co., Ltd from 28 April 2011 to 31 August 2013 and was the chief executive of China Construction Bank Corporation, Hong Kong Branch, from September 2006 to March 2011 and a director of CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited from August 2006 to March 2011. Both CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited are wholly-owned subsidiaries of China Construction Bank Corporation (together with its subsidiaries referred to as the "CCBC Group"), a joint stock company incorporated in the PRC with limited liability, whose issued shares are listed on the main board of the Stock Exchange. He was the president of the Beijing Banking Association from 2003 to 2005 and the Beijing Investment Institution from 2001 to 2006. Mr. Zhang possesses over 20 years' experience in the banking industry through his work with the CCBC Group.

Mr. Zhang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Wu Xinjiang, aged 50, joined the Group in March 2021. Mr. Wu has extensive and in-depth experience in corporate management and investment. He holds a Bachelor Degree from Northeastern University and a Master Degree in the Chinese University of Hong Kong.

Mr. Wu, a master degree holder in accounting and is an accountant, has served as the deputy general manager of China United SME Guarantee Corporation Co. Ltd. (中合中小企業融資擔保股份有限公司) since 1 September 2020, in charge of the company's investment business and financial management work.

Mr. Wu used to held the positions in the following companies successively, including the deputy general manager of Baowu Carbon Material Technology Co., Ltd. (寶武炭材料科技有限公司), the budget director of China Baowu Steel Group Company Limited (中國寶武鋼鐵集團有限公司) and the deputy minister of finance department of Guangdong Steel Group Company Limited (廣東鋼鐵集團有限公司).

Mr. Wu does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Tao Chun, aged 34, joined the Group in June 2021. Mr. Tao holds a Master Degree in Mathematical Sciences from Tsinghua University. Mr. Tao worked for Beijing Enginest Technology Company Limited as a Senior Modeling Engineer; Mr. Tao also served in China Chengxin Information Technology Company Limited as the General Manager of the Fixed Income Department; Mr. Tao currently works in China United SME Guarantee Corporation Company Limited as Deputy Director and Deputy General Manager of the Investment Department.

Mr. Tao does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Independent Non-Executive Directors

Mr. Chan Chun Keung, aged 71, joined the Group in November 2000. Mr. Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr. Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Lee Ka Wai, aged 34, joined the Group in May 2021. Mr. Lee has extensive experience in auditing and finance. Mr. Lee had worked for an international accounting firm providing assurance services to a number of listed companies in Hong Kong. Mr. Lee holds a Bachelor Degree of Commerce in Accounting from Hong Kong Shue Yan University and is a practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Dr. Zhang Xiao Jun, aged 53, joined the Group in January 2017. Dr. Zhang holds a Bachelor Degree in Finance from Renmin University, a Master Degree in Economics from University of Maryland and Doctorate Degree in Accounting from Columbia University. He is currently the chaired professor in accounting at the Hass School of Business, University of California Berkeley. He has over 18 years' experience in accounting education. His research have been published in top Finance and Accounting journals. His coauthored text book on financial accounting statement analysis is used by top business schools worldwide. Joined the Group in January 2017, Dr. Zhang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Dr. Zhang is the cousin of Mr. Cheung Siu Lam, a controlling shareholder of the Company, and uncle of Dr. Cheung Chai Hong, an executive director of the Company. Thus, Dr. Zhang cannot meet the independence guideline as set out in Rule 3.13(6) of Listing Rules. The Company has assessed the independence of Dr. Zhang as an independent non-executive director and has demonstrated to the satisfaction of The Stock Exchange of Hong Kong Limited that Dr. Zhang is independent on the following grounds:

- Dr. Zhang does not hold any share of the Company. He had not received an interest in securities of the Company as a gift, or by means of other financial assistance from the Company or their core connected persons of the Company. Dr. Zhang was not a director, partner or principal of a professional adviser which currently provides or has provided services within one year immediately prior to the date of his proposed appointment, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:

  (a) the Company, or any of their respective subsidiaries or core connected persons; or

  (b) the controlling shareholder Mr. Cheung Siu Lam, or chief executive officer or a director of the Company within one year immediately prior to the date of the proposed appointment.

- Dr. Zhang does not have a material interest in any principal business activities of or is involved in any material business dealings with the Company, or their respective subsidiaries or with any core connected persons of the Company.

- Dr. Zhang is not financially dependent on the Company, its holding companies or any of their respective subsidiaries or core connected persons of the Company. He is not on the board specifically to protect the interests of an entity whose interests are not the same as those of shareholders as a whole. In addition, for the past two years immediately prior to the date of his appointment and currently, he is not an executive or director of the Company, of its holding companies or of any of their respective subsidiaries or of any core connected persons of the Company. Dr. Zhang does not have any business and/or financial relationship/connections with Mr. Cheung Siu Lam. Save for Dr. Zhang being a cousin of Mr. Cheung Siu Lam and uncle of Dr. Cheung Chai Hong, the Board is not aware of any circumstance that would raise question on Dr. Zhang's independence.

Save as disclosed in this above, Dr. Zhang does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company.

Madam Zhan Lili, aged 50, joined the Group in May 2018. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Madam Zhan completed her studies in business administration at the Faculty of Business Administration of Capital University of Economics and Business in 2003. Madam Zhan was an assistant to the General Manager of Tomson (Shanghai) Company Limited from 2000 to 2001. She worked in the human resource department of the Beijing branch of Industrial Bank Co., Ltd. from 2003 to 2007 and was a president assistant of Beijing Hai Dian Science & Technology Development Co., Ltd., a company engaged in electronics and information technology, environmental protection materials, property development and e-business, from 2007 to 2015. From 2008 to 2017, she worked as an independent non-executive director of Bloomage BioTechnology Cooperation Limited (a company was withdrawn from listing in the Stock Exchange in 2017) and Hiersun Industrial Co., Ltd.

Madam Zhan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Senior Management

Mr. Chung Chin Keung, aged 55, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr. Chung holds a Bachelor Degree of Business Administration from the Hong Kong Baptist University and a Master Degree in Business Administration from Manchester Business School. He has more than 25 years of experience in finance, accounting and management. Before joining the Group, Mr. Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. Mr. Chung is responsible for daily operations and financial operations in Hong Kong.

Ms. Tsui Yan Tung, aged 36, is the investment director of the Company. Ms. Tsui joined the Group in August 2016 and she is responsible for the Company's capital market activities and investor relations. Prior to joining the company, Ms. Tsui was a Vice President at LST Partners, a Hong Kong-based hedge fund. She was responsible for investment analysis and risk management. Previously, she worked at China Construction Bank International (CCBI) Securities for over 5 years as Institutional Sales and Research Analyst.

Ms. Tsui is a Chartered Financial Analyst (CFA). She holds a BBA in Global Business and Finance from the Hong Kong University of Science and Technology.

Mr. Yang Wu, aged 49, joined the Group in March 2010. He is currently the general manager of Chengdu Vision Credit Limited, overseeing the business operation of the Company.

Prior to joining the Group, Mr. Yang was a project manager of Beijing Boroto Pawn Shop and was an account manager of Bank of China, Hubei Xiaogan Branch.

Mr. Yang obtained an associate degree in accounting.

Madam Liu Ying, aged 55, joined the Group as a manager in risk management department in August 2011. She then promoted to the risk director of the risk management department, who is responsible to the review and evaluation of the risk management system of the Group. She holds a Master Degree in Finance from Massey University in New Zealand.

Prior to joining the Group, Madam Liu worked as an assistant general manager of risk management department of Zhongshang Xinhai Credit Guarantee Co., Ltd and the chief risk officer of Beijing Xingyi Haisheng Investment Guarantee Co., Ltd.

Directors' Service Contracts

Independent non-executive directors, namely Mr. Chan Chun Keung entered into service contracts with the Company for a term of one year commencing on 9 September 2004. Dr. Zhang Xiao Jun has entered into a service contract with the Company for one year commencing on 5 January 2017. Madam Zhan Lili has entered into a service contract with the Company for one year commencing on 21 May 2018. Mr. Lee Ka Wai has entered into a service contract with the Company for one year commencing on 31 May 2021. All of them are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than one month notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Indemnity of Directors

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2021.

Directors' Interests in Share Capital

As at 31 December 2021, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 2)
Cheung Chai Hong	Beneficial owner	10,000	–	0.0047%
Chan Yuk Ming	Beneficial owner	1,000,000	–	0.47%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

2. The percentage is calculated based on the total number of issued shares as at 31 December 2021.

Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" and "Share Award Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests in Substantial Shareholders

As at 31 December 2021, the following company and person (other than a director of the Company) were interested in 5% or more of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	**Capacity**	**Number of Ordinary Shares held**	**Underlying Shares Interested** (Note 1)	**Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital** (Note 5)
Cheung Siu Lam (Note 6)	Beneficial owner of 86,002,212 ordinary shares, family interest of 25,342,100 ordinary shares (Note 2) and interest in controlled corporation of 4,320,000 ordinary shares (Note 4)	115,664,312	–	55.27%
Lo Wan	Beneficial owner of 25,342,100 ordinary shares, family interest of 86,002,212 ordinary shares (Note 3) and interest in controlled corporation of 4,320,000 ordinary shares (Note 4)	115,664,312	–	55.27%
China United SME Guarantee Corporation	Beneficial owner of ordinary shares	30,259,000	–	14.46%

Notes:

1. The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 25,342,100 ordinary shares held by his spouse, Lo Wan.

3. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 86,002,212 ordinary shares held by Cheung Siu Lam.

4. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 4,320,000 shares held by Arbalice Holdings Limited.

5. The percentage is calculated based on the total number of issued shares as at 31 December 2021.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

Share Option Scheme

The Company adopted a share option scheme on 7 June 2004 (the "2004 Scheme") which was terminated on 6 June 2014. The Company adopted a new share option scheme (the "2014 Scheme") at the Company's annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

A summary of the 2014 Scheme of the Company is as follows:

1.	Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
2.	Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
3.	Total number of securities available for issue under the 2014 Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	17,145,431 (adjusted as a result of the share consolidation) ordinary shares and 8.19% of the existing issued share capital.
4.	Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

		(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.
5.	Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the 2014 Scheme.
6.	Minimum period, if any, for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
7.	Amount, if any, payable on application or acceptance of the option and the period within which such payments or calls must or may be made or loans for such purposes must be repaid	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
8.	Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options.
9.	The remaining life of the 2014 Scheme	The 2014 Scheme remains in force until 19 May 2024.

During the year under review, no share options were granted under the 2014 Scheme.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2014 Scheme for the Reporting Period:

Director	Date of offer	Exercise price[1] HK$	Outstanding at 1.1.2020[1]	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding at 31.12.2020[1]	Exercise period	Closing price of the securities immediately before the date on which the options were offered[1] HK$	Fair value of each option at the date of grant[1] HK$
Other eligible grantees	11.04.14	13.20	1,500,000	–	–	–	1,500,000	11.04.14 – 10.04.24	12.60	9.246
	26.08.15	10.92	2,750,000	–	–	–	2,750,000	26.08.15 – 25.08.25	9.8	5.78

The numbers has been adjusted as a result of the share consolidation , details are set out in the announcement of the Company dated 7 January 2021.

Share Award Scheme

On 14 January 2019 (the "Adoption Date"), the Company adopted the share award scheme (the "Share Award Scheme") in which any employees, directors, consultants or advisors of any member of the Group (the "Grantee") will be entitled to participate.

The purposes of the Share Award Scheme are to recognize the contributions by certain Grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date.

The maximum number of awarded shares throughout the duration of the Share Award Scheme is 429,280,734 shares, being 10% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected Grantee under the Share Award Scheme during any 12-month period is 42,928,073 shares, being 1% of the issued shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 14 January 2019.

During the Reporting Period, there were 6,962,700 shares held in trust by the trustee under the Share Award Scheme and no awards have been granted or agreed to be granted under Share Award Scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

Corporate Governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the Reporting Period.

Auditor

Crowe (HK) CPA Limited were the auditor of the Company for past two years ended 31 December 2018 and 2019. On 25 April 2022, Crowe (HK) CPA Limited had resigned as auditor of the Company in the Annual General Meeting of the Company held on the above date. Baker Tilly Hong Kong Limited had been appointed as auditor of the Company to upon the resignation of Crowe (HK) CPA Limited for the years ended 31 December 2020 and 2021.

The financial statements have been audited by Baker Tilly Hong Kong Limited, Certified Public Accountants. A resolution for their re-appointment as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

Chan Yuk Ming
Chairman

Hong Kong, 2 December 2022

天職國際

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA FINANCIAL SERVICES HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Financial Services Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 43 to 171, 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 profit or loss and other 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained for the year is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter	How the matter was addressed in our audit
Valuation of loan receivables	
We identified the valuation of loan receivables as a key audit matter due to the use of judgements and estimates by management in assessing the recoverability of loan receivables. As set out in Note 5 to the consolidated financial statements, the Group estimates the amount of impairment losses for expected credit loss ("ECL") on loan receivables based on the credit risk of loan receivables. The amount of the impairment losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise. As disclosed in Note 22 to the consolidated financial statements, the carrying amount of loan receivables as at 31 December 2021 is HK$2,138,435,000 (net of allowance for ECL of HK$1,139,806,000).	Our procedures in relation to valuation of loan receivables included: – Obtaining an understanding of and assessing the design and implementation of management's key controls relating to credit control, debt collection and impairment assessment of loan receivables; – Assessing the reasonableness of impairment under ECL model by examining the information used by management to form its judgements and estimates, including test of accuracy of the historical default data with reference to the credit history, delay in payments, settlement records, and aging analysis of each relevant debtor, on a sample basis; – Evaluating the reasonableness of the forward-looking information management has taken into account; and – Testing the mathematical accuracy of the ECL model on loan receivables prepared by management.

Key audit matters *(Continued)*

The key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill	
We identified impairment of goodwill as a key audit matter due to significant management judgement involved in determining the recoverable amount of the goodwill for impairment assessment. As set out in Note 16 to the consolidated financial statements, impairment of goodwill is assessed by comparing the recoverable amount of respective cash-generating unit ("CGU") to which goodwill is allocated, to their carrying values at the end of each reporting period. Significant judgements and assumptions are required by the management in assessing the impairment of goodwill, which are determined with reference to the present value of the estimated future cash flows arising from respective CGUs with key assumptions including expected changes to revenue and direct costs, suitable discount rates and growth rates in order to calculate the recoverable amount of the CGUs. Included in the Group's consolidated statement of financial position as at 31 December 2021 the goodwill amount is HK$384,504,000. In the opinion of the directors of the Company, impairment loss of HK$128,389,000 is required for the year ended 31 December 2021.	Our procedures in relation to the impairment assessment of goodwill included: – Obtaining an understanding on the Group's cash flow forecast preparation process and impairment assessment process; – Assessing the reasonableness of the key assumptions made by the management in determining the recoverable amount of the CGUs, including discount rates, growth rates and expected changes to revenue and direct costs, with the involvement of our valuation expert; – Evaluating the key inputs adopted in the cash flow forecast by comparing to the historical performance, the most recent actual performance of respective CGUs; – Testing the mathematical accuracy of the underlying value-in-use calculations; and – Evaluating the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired.

Other Information

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

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

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

Responsibilities of the directors and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 of safeguards applied.

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

The engagement director on the audit resulting in this independent auditor's report is Del Rosario, Faith Corazon.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 2 December 2022

Del Rosario, Faith Corazon
Practising Certificate Number P06143

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Interest, guarantee and financing consultancy services income	6	304,593	713,939
Interest and handling expenses	6	(207,377)	(324,384)
Net interest income and service income	6	97,216	389,555
Education consultancy service income	6	4,650	4,448
Other income and other gains and losses	7	4,280	38,691
Impairment losses on financial instruments	8	(7,915)	(1,269,496)
Impairment loss on goodwill	16	(128,389)	(127,820)
General and administrative expenses		(182,929)	(276,775)
Share of results of associates		106	(1,270)
Share of results of joint ventures		(355)	(429)
Loss before taxation	9	(213,336)	(1,243,096)
Income tax	10(a)	(32,794)	(114,272)
Loss for the year		(246,130)	(1,357,368)
Attributable to:			
Owners of the Company		(250,065)	(1,216,632)
Non-controlling interests		3,935	(140,736)
Loss for the year		(246,130)	(1,357,368)
Loss per share		HK$	HK$ (Adjusted)
– Basic and diluted	13	(1.24)	(5.94)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(246,130)**	(1,357,368)
Other comprehensive income for the year, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**33,094**	94,431
Reclassification of cumulative translation reserve upon disposal of a foreign operation	**(434)**	–
Financial assets at fair value through other comprehensive income ("FVTOCI"):		
Fair value loss on debt securities at FVTOCI	**–**	(321)
Reclassification of fair value reserve upon disposal	**–**	2,816
	–	2,495
Other comprehensive income for the year, net of income tax	**32,660**	96,926
Total comprehensive expense for the year	**(213,470)**	(1,260,442)
Attributable to:		
Owners of the Company	**(219,892)**	(1,119,754)
Non-controlling interests	**6,422**	(140,688)
Total comprehensive expense for the year	**(213,470)**	(1,260,442)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December	
	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	22,498	33,575
Investment property		1,250	–
Goodwill	16	384,504	500,726
Intangible assets	17	14,103	34,547
Interests in associates	18	19,535	19,369
Interests in joint ventures	19	–	355
Other financial assets	20	29,074	23,134
Loan receivables	22	322,096	467,906
Deposits	25	35,000	35,000
Deferred tax assets	34	6,874	8,522
		834,934	1,123,134
Current assets			
Contingent consideration receivables	21	7,115	10,216
Loan receivables	22	1,816,339	2,134,916
Account receivables	23	187	520
Interest receivables	24	8,273	24,356
Other receivables, deposits and prepayments	25	62,101	94,310
Amounts due from associates	33	67,137	54,455
Amounts due from joint ventures	33	923	630
Tax recoverables		–	81
Pledged bank and security deposits	26	–	10,205
Cash and cash equivalents	27	571,668	595,495
		2,533,743	2,925,184
Current liabilities			
Borrowings and loan payables	28	1,391,451	1,619,401
Bank loans	29	–	32,000
Security deposits received	30	3,075	9,588
Consideration payables	31	97,429	98,346
Other payables, accruals and deposit received	32	109,304	81,741
Liabilities arising from loan guarantee contracts	28(e)	121,942	118,459
Amount due to an associate	33	3,143	3,059
Unsecured bonds	35	219,489	52,329
Income received in advance		416	2,925
Lease liabilities	36	9,555	14,327
Tax payables		182,597	189,781
		2,138,401	2,221,956

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000
Net current assets		**395,342**	703,228
Total assets less current liabilities		**1,230,276**	1,826,362
Non-current liabilities			
Borrowings and loan payables	28	**138,520**	206,550
Consideration payables	31	**–**	96,512
Unsecured bonds	35	**34,577**	246,892
Lease liabilities	36	**5,720**	9,751
Deferred tax liabilities	34	**38,990**	37,465
		217,807	597,170
NET ASSETS		**1,012,469**	1,229,192
EQUITY			
Share capital	37	**2,080,113**	2,080,113
Reserves	38	**(1,156,296)**	(936,404)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**923,817**	1,143,709
Non-controlling interests		**88,652**	85,483
TOTAL EQUITY		**1,012,469**	1,229,192

Approved and authorised for issue by the board of directors on 2 December 2022 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company									
	Notes	Share capital HK$'000	Share-based compensation reserve HK$'000	Shares held under the share award scheme HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020		2,080,113	40,216	(49,365)	(344,145)	(2,495)	190,546	329,378	2,244,248	283,713	2,527,961
Changes in equity in 2020:											
Loss for the year		–	–	–	–	–	–	(1,216,632)	(1,216,632)	(140,736)	(1,357,368)
Other comprehensive expenses		–	–	–	94,383	2,495	–	–	96,878	48	96,926
Total comprehensive income/(expenses)		–	–	–	94,383	2,495	–	(1,216,632)	(1,119,754)	(140,688)	(1,260,442)
Purchase of shares under share award scheme	41	–	–	(7,296)	–	–	–	–	(7,296)	–	(7,296)
Step acquisition from non-controlling interests	43	–	–	–	(8,014)	–	–	45,747	37,733	(38,390)	(657)
Lapse of share options		–	(10,541)	–	–	–	–	10,541	–	–	–
Dividends paid to non-controlling interest		–	–	–	–	–	–	–	–	(19,152)	(19,152)
Repurchase of own shares	37(b)	–	–	–	–	–	–	(11,222)	(11,222)	–	(11,222)
Transfer to reserve		–	–	–	–	–	29,270	(29,270)	–	–	–
At 31 December 2020 and 1 January 2021		2,080,113	29,675	(56,661)	(257,776)	–	219,816	(871,458)	1,143,709	85,483	1,229,192
Changes in equity in 2021:											
Loss for the year		–	–	–	–	–	–	(250,065)	(250,065)	3,935	(246,130)
Other comprehensive income		–	–	–	30,173	–	–	–	30,173	2,487	32,660
Total comprehensive income/(expenses)		–	–	–	30,173	–	–	(250,065)	(219,892)	6,422	(213,470)
Dividends paid to non-controlling interest		–	–	–	–	–	–	–	–	(3,253)	(3,253)
Transfer from statutory reserve to accumulated losses upon deregistration of subsidiaries		–	–	–	–	–	(311)	311	–	–	–
Transfer to reserve		–	–	–	–	–	7,609	(7,609)	–	–	–
At 31 December 2021		2,080,113	29,675	(56,661)	(227,603)	–	227,114	(1,128,821)	923,817	88,652	1,012,469

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Operating activities			
Loss before taxation		**(213,336)**	(1,243,096)
Adjustments for			
Interest and handling expenses	6	**207,377**	324,384
Bank interest income	7	**(3,911)**	(6,849)
Dividend income from financial assets at FVTPL	7	**(20,060)**	(112)
Loss from changes in fair value of financial assets at FVTPL, net	7	**8,977**	4,905
Loss on disposal of financial assets at FVTOCI	7	**–**	2,816
Impairment loss on financial instruments	8	**7,915**	1,269,496
Impairment loss on intangible assets	17	**20,444**	3,360
Depreciation of property, plant and equipment	9(b)	**2,829**	3,798
Depreciation of right-of-use assets	9(b)	**11,365**	16,089
Loss on disposal of property, plant and equipment	7	**69**	335
Fair value change on contingent consideration receivables	7	**3,101**	(4,724)
Impairment loss on goodwill	16	**128,389**	127,820
Share of results of associates		**(106)**	1,270
Share of results of joint ventures		**355**	429
		153,408	499,921
Changes in working capital			
Decrease in loan receivables		**488,517**	758,621
Decrease in account receivables		**428**	9,174
Decrease in interest receivables		**16,439**	135,460
Decrease/(increase) in other receivables, deposits and prepayments		**53,144**	(20,570)
Decrease in security deposits received		**(6,771)**	(42,145)
Decrease in consideration payables		**(97,429)**	(85,852)
Increase in other payables, accruals and other deposits received		**25,278**	20,954
Decrease in income received in advance		**(2,560)**	(14,450)
Cash generated from operations		**630,454**	1,261,113
Taxation paid			
– PRC Enterprise Income Tax		**(40,571)**	(90,723)
– Withholding tax on dividends		**–**	(13,822)
Taxation refunded		**844**	839
Net cash generated from operating activities		**590,727**	1,157,407

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Investing activities		
Purchase of property, plant and equipment	(1,491)	(549)
Purchase of other financial assets	(15,000)	(8,440)
Proceeds from disposal of property, plant and equipment	462	–
Proceeds from disposal of other financial assets	–	22,750
Advance to an associate	(11,264)	(38,165)
Advance to joint ventures	(293)	(580)
Capital injection to an associate	–	(2,205)
Acquisition of additional interest in an subsidiary	–	(657)
Withdrawal of pledged bank and security deposits	10,205	23,853
Bank interest received	3,911	6,849
Dividend received from other financial assets	20,060	112
Net cash generated from investing activities	6,590	2,968
Financing activities		
Proceeds from new bank loans	–	86,414
Repayment of bank loans	(32,000)	(293,022)
Proceeds from new borrowings	229,349	987,809
Repayment of borrowings	(564,436)	(1,830,962)
Proceeds from the issue of unsecured bonds	2,000	11,390
Redemption of unsecured bonds	(53,390)	(13,690)
Repayment to an associate	(6)	(11)
Capital element of lease rental paid	(11,151)	(16,881)
Interest element of lease rental paid	(869)	(1,193)
Other interest paid	(197,517)	(196,959)
Other finance costs paid	(2,570)	(4,392)
Dividends paid to non-controlling shareholders of subsidiaries	(3,253)	(19,152)
Payment for repurchase of own shares	–	(11,222)
Purchase of shares under share award scheme	–	(7,296)
Net cash used in financing activities	(633,843)	(1,309,167)
Decrease in cash and cash equivalents	(36,526)	(148,792)
Effect of foreign exchange rate changes	12,699	40,724
Cash and cash equivalents at beginning of the year	595,495	703,563
Cash and cash equivalents at end of the year	571,668	595,495

The accompanying notes form an integral part of these consolidated financial statements.

1. Corporate Information

China Financial Services Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and the ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2007. Mr. Cheung Siu Lam, former non-executive director of the Company and the father of Dr. Cheung Chai Hong, the executive director of the Company, through his direct shareholding in the Company is the Company's ultimate controlling party. The Company does not have any parent company.

The address of its registered office and the principal place of business are Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 15 to the consolidated financial statements. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 Amendments to HKFRSs that are mandatorily effective for the year

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.2 New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.2 *New and Amendments to HKFRSs in issue but not yet effective (Continued)*

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.2 *New and Amendments to HKFRSs in issue but not yet effective (Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies

3.1 Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. 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 (i.e., 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.

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.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(a) *Basis of consolidation (Continued)*

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.

Investment in subsidiaries are stated at cost less any impairment.

(b) *Associates and joint ventures*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(b) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investment in an associate and joint venture are stated at cost less impairment losses.

(c) 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 the 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 the 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.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

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

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. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest 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 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.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(c) Business combinations and goodwill (Continued)

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.

(d) Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with infinite useful lives are reported at cost less any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements	3 years or over the remaining term of the lease, if shorter
–	Furniture and equipment	3 to 5 years
–	Motor vehicles	3 to 5 years
–	Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(f) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(f) *Leased assets (Continued)*

As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(g) *Financial assets and liabilities*

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) *Financial assets and liabilities (Continued)*

Initial recognition and measurement (Continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, impairment for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI is assessed under expected credit loss ("ECL") model, and may result in an accounting loss being recognised in profit or loss when an asset is newly originated.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets

(i) Classification and subsequent measurement

The Group's financial assets include account receivable, loans receivables, interest receivables, other receivables and deposits, amounts due from associates, amounts due from joint ventures, contingent consideration receivables, other financial assets, pledged bank and security deposits, and cash and cash equivalents.

The Group classifies its financial assets in the following measurement categories:

(i) FVTPL;
(ii) FVTOCI; or
(iii) Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and
(ii) the cash flows characteristics of the asset.

Business model assessment:

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Debt instruments *(Continued)*

SPPI test:

The Group assesses the contractual terms of instruments to identify whether the contractual cash flows are "solely payments of principal and interest ("SPPI") on the principal amount outstanding". Financial assets that are consistent with a basic lending arrangement are considered to meet the SPPI criterion. In a "basic lending arrangement", consideration for the time value of money and credit risk are typically the most significant elements of interest. It may also include consideration for other basic lending risks such as liquidity risks, costs associated with holding the financial assets for a period of time (e.g., servicing or administrative costs) and a profit margin.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured at the end of each reporting period. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Debt instruments *(Continued)*

FVTOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other income". Interest income from these financial assets is included in "other income" using the effective interest rate method.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss and other comprehensive income within "other income" in the reporting period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "other income". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the reporting period.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) *Financial assets and liabilities (Continued)*

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when represent a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the "other income" line in the consolidated statement of profit or loss and other comprehensive income.

(ii) Impairment

The Group applies a simplified approach to measure ECL on account receivables from customers for provision of education consultancy services and a general approach to measure ECL on loan receivables, interest receivables, other and deposit receivables, amount due from associates, amounts due from joint ventures, pledged bank and security deposits and cash at banks as well as loan commitment.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Under the simplified approach, the Group measures the loss based on lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-month ("12m") ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

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

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

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. A loan that is overdue for 90 days or more is considered as default.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

Stage 3: Lifetime ECL – credit-impaired *(Continued)*

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive. The amount of the loss is recognised using a provision for ECL account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for ECL reverts from lifetime ECL to 12-months ECL.

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) *Financial assets and liabilities (Continued)*

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(iii) Modification of loans *(Continued)*

- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(a) Financial assets *(Continued)*

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Group:

(i) has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) is prohibited from selling or pledging the assets; and

(iii) has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) Financial assets and liabilities (Continued)

Initial recognition and measurement (Continued)

(b) Financial liabilities

Classification and subsequent measurement

In both the current and prior periods, financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Credit losses from financial guarantees contracts

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees contracts are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

In the case of the guarantee issued by the Company in respect of a loan to its wholly owned subsidiary, the asset identified could be a form of capital contribution i.e. an addition to the cost of the investment in the subsidiary. This is on the basis that, all other things being equal, the subsidiary will earn enhanced profits as a result of the financial guarantee from having secured borrowings at a lower rate than it would have done without the guarantee, and these profits will eventually flow to the Company by way of dividends or enhanced disposal proceeds. The increased aggregate cost of investment would then be subject to the normal rules applied to investments in subsidiaries, in particular concerning the calculation of impairment losses. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees contracts.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(g) *Financial assets and liabilities (Continued)*

Initial recognition and measurement (Continued)

(b) Financial liabilities *(Continued)*

Credit losses from financial guarantees contracts *(Continued)*

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in liabilities arising from loan guarantee contracts in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12m ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(h) *Impairment of non-financial assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– interests in associates and joint ventures;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(h) *Impairment of non-financial assets (Continued)*

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL at the end of the reporting period.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(j) Employee benefits and share-based payment arrangements

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained earnings or accumulated losses).

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(j) *Employee benefits and share-based payment arrangements (Continued)*

(iii) *Share-based payments to consultants*

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be estimated reliably, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

(iv) *Shares held under the share award scheme*

Own equity instruments which are reacquired (shares held under the share award scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

(v) *Share-based payments to employees under share award scheme*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in the "share award reserve" under equity, over the period in which the performance and/or service conditions are fulfilled in share-based compensation expense. The cumulative expense recognised for equity-settled transactions at the end of each 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that reporting period.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(j) *Employee benefits and share-based payment arrangements (Continued)*

(v) *Share-based payments to employees under share award scheme (Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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. 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.

(k) *Provisions and contingent liabilities*

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(l) Revenue recognition

Income is derived from the provision short-term financing of services in the ordinary course of the Group's business classified by the Group as revenue.

Revenue is recognised when service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes, if applicable.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from financing services

Interest income is recognised in the consolidated statement of profit or loss for all financial assets using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(l) Revenue recognition (Continued)

(ii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Education consultancy service income

Income from such services are recognised when related services are rendered.

(iv) Other interest income

Other interest income is recognised as it accrues using the effective interest method.

(v) Other service income

Income arising from the provision of other services is recognised when the relevant services are rendered.

(vi) Income from financial guarantee contracts

Income from financial guarantee contracts is recognised over the term of the guarantees.

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(m) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 Significant accounting policies (Continued)

(m) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(n) *Translation of foreign currencies (Continued)*

(ii) *Transactions and balances*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), the cumulative amount of the exchange differences in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(p) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

(q) Related parties

a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

3. Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

3.2 *Significant accounting policies (Continued)*

(q) Related parties (Continued)

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities 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).

viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. Significant Incidents During the Year

4.1 Fraudulent activities of certain directors

Pursuant to the announcements of the Company dated 19 October 2020 and 9 March 2022, the board of directors of the Company (the "Board") was notified that Mr. Luo Rui, the former chief executive officer and former executive director of the Company and Madam Guan Xue Ling, the former executive director of the Company (collectively, the "Relevant Directors") had, without authorisation of the Board, executed certain guarantee contracts purportedly for and on behalf of the Company to guarantee payment obligations under certain financial products issued by certain subsidiaries of the Company and certain other companies outside the Group (the "Unauthorised Guarantees"), where the proceeds arise from such financial products (the "Unauthorised Loans") were lent, either directly or through the personal bank accounts of certain employees of the Group, to independent third parties of the Company for earning interest income ("Unauthorised Loan Receivables"). All of the Unauthorised Guarantees, Unauthorised Loans, and Unauthorised Loan Receivables including the interest income, interest expenses and related handing charges have not been fully recorded in the books and records of those relevant subsidiaries accordingly under the instructions of the Relevant Directors. These fraudulent activities of the Relevant Directors are referred as the "Incidents".

The Company had terminated (i) the appointment of Mr. Luo Rui as chief executive officer and executive director of the Company and Madam Guan Xue Ling as executive director of the Company and (ii) the director's service agreements made between the Company and each of the Relevant Directors with immediate effect pursuant to the terms of the director's service agreements on 16 October 2020. In respect of the Relevant Directors' acts which were carried out without authorisation of the Board, the Board has reported to the Hong Kong police and the relevant authorities in the People Republic of China (the "PRC").

An investigation committee ("Investigation Committee") comprising Dr. Cheung Chai Hong, executive director of the Company, Mr. Chan Yuk Ming ("Mr. Chan") and Mr. Fang Feiyue ("Mr. Fang"), non-executive directors of the Company, was established by the Board on 18 October 2020 to investigate the details of the Incidents. The members of the Investigation Committee had subsequently changed to all independent non-executive directors of the Company, namely, Mr. Chan Chun Keung, Mr. Lee Ka Wai, Dr. Zhang Xiao Jun and Madam Zhan Lili on 28 September 2021.

The Company had engaged an independent forensic consultant (the "Independent Consultant") to investigate the Incidents ("First Investigation"). A summary of findings of the First Investigation from the Independent Consultant was disclosed in the Company's announcement on 26 March 2021.

4. Significant Incidents During the Year *(Continued)*

4.1 Fraudulent activities of certain directors (Continued)

The Company had also engaged an independent internal control reviewer ("Internal Control Reviewer") in July 2021 to conduct a review of the Group's internal controls systems and procedures. The summary of the internal control review findings with implementation status of enhancement of the Board from the Internal Control Reviewer was disclosed in the Company's announcement on 9 March 2022.

The Company had further instructed the Independent Consultant to (i) prepare a supplemental report to identify any other material financial assistance other than the Incidents that was provided by the Group without proper authorisation from January 2015 to October 2020 (the "Supplemental Investigation") and (ii) provide any additional findings related to the Incidents which were not covered in the First Investigation in July 2021. A summary of findings of the Supplemental Investigation from the Independent Consultant was disclosed in the Company's announcement on 9 March 2022.

Upon the completion of the First and Supplemental Investigation by the Independent Consultant and internal control review by the Internal Control Reviewer in March 2022, the Board concluded that the Incidents took place from 2017 to 2020 (referred as the "Incidents Period") and the Unauthorised Guarantees, Unauthorised Loans and Unauthorised Loan Receivables, including interest income, interest expenses and related handling charges derived from the Incidents during the Incidents Period were not recorded properly in the consolidated financial statements of the Company in accordance to HKFRSs or disclosed in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules for the years ended 31 December 2017 to 2019 accordingly.

Subsequent to the year ended 31 December 2021, the Board had engaged the Independent Consultant and Internal Control Reviewer to perform further investigation ("Further Investigation") and further internal control review update ("Further IC Review") over the Incidents in October 2022 to fulfill the requirements under the Resumption Guidance set out by the Stock Exchange on 28 June 2021.

References should be made to the announcements of the Company dated 19 October 2020, 26, 29 and 31 March 2021, 28 April 2021, 8 and 28 June 2021, 2 July 2021, 28 September 2021, 6 and 12 January 2022 and 9, 23 and 31 March 2022, 30 June 2022, 6 September 2022 and 11 November 2022 regarding to the details of the Incidents and the summary of findings from the Independent Consultant and Internal Control Reviewer.

4. Significant Incidents During the Year *(Continued)*

4.2 Financial impact related to the Incidents

The Board had engaged two local Certified Public Accounting firms in the PRC to assist the management of the Company to quantify the financial impact of the Incidents over the Incidents Period. With reference to the findings from the Independent Consultant, the aggregated financial impact is detailed as follow:

(a) The aggregate contract sum of the Unauthorised Loan Receivables that should be recorded as loan receivables in the Group's consolidated financial statements amounts to Renminbi ("RMB") RMB3,778,400,000 (equivalent to approximately HK$4,489,330,000).

(b) The aggregate contract sum of the Unauthorised Loans that should be recorded as loan payables in the Group's consolidated financial statements amounts to RMB4,127,532,000 (equivalent to approximately HK$4,904,154,000).

(c) The total guaranteed amount of the Unauthorised Guarantee that should be recorded and disclosed as liabilities arising from loan guarantee contracts in the Group's consolidated financial statements amounts to RMB99,700,000 (equivalent to approximately HK$118,459,000).

(d) Total interest income derived from the Unauthorised Loan Receivables during the Incidents Period which should be recorded in profit and loss amounts to RMB556,608,925 (equivalent to approximately HK$638,106,000).

(e) Total interest expenses derived from the Unauthorised Loans during the Incidents Period that should be recognised in profit and loss amount to RMB621,821,869 (equivalent to approximately HK$718,981,000) and included in these total interest expenses, an amount of RMB173,719,226 (equivalent to approximately HK$199,377,000) has been wrongly recorded as loan receivables during the Incidents Period which should be reclassified to profit and loss.

(f) Total handling expenses derived from the Unauthorised Loans during the Incidents Period which should be recorded in profit and loss amount to RMB95,143,318 (equivalent to approximately HK$109,733,000). Administrative expenses of RMB99,106,861 (equivalent to approximately HK$114,462,000) in total derived from the Incidents during the Incidents Period has been wrongly recorded as loan receivables which should be reclassified to general and administrative expenses in profit and loss and borrowings and loan payables based on effective interest method.

4. Significant Incidents During the Year *(Continued)*

4.2 Financial impact related to the Incidents (Continued)

(g) The Board had made provision on doubtful debts/ECL on those debtors related to Unauthorised Loan Receivables and interest receivables back to respective financial years based on the actual repayment pattern and financial conditions of those debtors. The total amounts of provision of doubtful debts/ECL made on those Unauthorised Loan Receivables and related interest receivables amount to RMB1,541,964,886 (equivalent to approximately HK$1,755,438,000) and RMB161,586,216 (equivalent to approximately HK$182,853,000) respectively.

(h) Total net tax expenses derived from the Incidents during the Incidents Period amount to RMB139,152,231 (equivalent to approximately HK$159,526,000) which should be recognised in profit or loss.

Impact related to the Incidents on assets and liabilities are translated into the presentation currency of the Group (i.e. from RMB to HK$) using closing rate as at 31 December 2020; while impact related to the Incidents on income and expenses items are translated at average exchange rates for respective period.

4. Significant Incidents During the Year *(Continued)*

4.3 Financial Impact of the Incidents to the Year

The below is the financial impact related to the Incidents for the year:

Consolidated statement of financial position (extracted):

As at 31 December 2021

	Balance before the Incidents	Adjustments						Adjusted balance
		(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current assets								
Loan receivables	4,035,929	(2,215,710)	–	–	(3,880)	–	–	1,816,339
Other receivables, deposits and prepayments	221,215	(159,114)	–	–	–	–	–	62,101
Current liabilities								
Borrowings and other payables	1,369,209	–	22,242	–	–	–	–	1,391,451
Liabilities arising from loan guarantee contracts	–	–	–	121,942	–	–	–	121,942
Tax payables	12,400	–	–	–	–	170,197	–	182,597
Equity								
Exchange reserve	(50,699)	–	–	–	–	–	(176,904)	(227,603)

Consolidated statement of profit or loss (extracted):

For the year ended 31 December 2021

	Balance before the Incidents	Adjustments		Adjusted Balance
		(ii)	(iv)	
	HK$'000	HK$'000	HK$'000	HK$'000
Interest and handling expenses	(61,997)	(145,380)	–	(207,377)
Impairment loss on financial instruments	(4,093)	–	(3,822)	(7,915)

4. Significant Incidents During the Year *(Continued)*

4.3 Financial Impact of the Incidents to the Year (Continued)

The below is the financial impact related to the Incidents for the year: *(Continued)*

Notes:

(i) Being adjustment on the omission of the Unauthorised Loan Receivables and related interest receivables (see Note 4.2(a)) and interest income (See Note 4.2(d)) during the Incidents Period that resulted in an understatement of loan receivables and interest receivables during the year.

(ii) Being adjustment on the omission of the Unauthorised Loans and related interest payables (see Note 4.2(b)) and interest expenses during the Incidents Period (see Note 4.2(e)) that resulted in an understatement of loan payables and interest payables and interest expenses and handing expenses (see Note 4.2(f)) during the year.

(iii) Being adjustment on the recognition on loss on financial guarantee contracts for the year (see Note 4.2(c)).

(iv) Being adjustment on the recognition on impairment loss on loan receivables and interest receivables related to Unauthorised Loan Receivables and interest receivables (see Note 4.2(g)).

(v) Being adjustment on the recognition of income tax expenses derived from the Incidents (see Note 4.2(h)).

(vi) Being adjustment on the foreign currency exchange arise due to the conversion of RMB to HK$ using the closing or average rate in the respective financial years.

4. Significant Incidents During the Year *(Continued)*

4.4 Other significant Incidents during the year

Pursuant to the announcement dated 31 March 2021 and 28 April 2021, the Board informed the shareholders of the Company that the publication of the result announcement in respect to the financial results for the year ended 31 December 2020 will be delayed as the Company was unable to finalise the consolidated financial statements for the year ended 31 December 2020 including the financial impact of the Incidents and additional time was required for the auditor of the Company at that time to complete the required audit work. The trading of the Company's shares on the Main Board of the Stock Exchange has been halted since 29 March 2021 pending the Company to fulfill the Resumption Guidance set out by the Stock Exchange on 28 June 2021.

4.5 Outbreak of COVID-19 pandemic

The COVID-19 pandemic started since December 2019 and with the prolonged effect, has brought additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

In preparing these consolidated financial statements, the Group has continued to take into account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed elsewhere in the consolidated financial statements and except for the Incidents noted in Note 4.1, there are no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures accordingly.

5. Critical Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

5. Critical Accounting Judgements and Estimates *(Continued)*

(a) *Critical accounting judgements in applying the Group's accounting policies (Continued)*

(i) *Determination of consolidation scope (Continued)*

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgements, in combination with historical exposure to variable returns, to determine the consolidation scope.

For structured entities, the Group's management needs to assess whether the Group has the power over structured entities and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group has to consolidate such structured entities. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in Note 15(b).

The Group reassess whether it controls structured entities if facts and circumstances indicate that there are changes to one or more of the three elements of control.

(b) *Sources of estimation uncertainty*

Key sources of estimation uncertainty are as follows:

(i) *Impairment of goodwill (Carrying amount – HK$384,504,000 (2020: HK$500,726,000))*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(ii) *Impairment allowance of loan receivables (Carrying amount – HK$2,138,435,000 (2020: HK$2,602,822,000))*

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.

5. Critical Accounting Judgements and Estimates *(Continued)*

(b) Sources of estimation uncertainty (Continued)

(ii) Impairment allowance of loan receivables (Carrying amount: HK$2,138,435,000 (2020: HK$2,602,822,000)) (Continued)

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets based on risk characteristics of the customers and product types when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures; and
- Determination of associations between macroeconomic scenarios and, economic inputs, such as Gross Domestic Product growth, Property Price Index, Inflation Rate and Unemployment Rate, and the effect on probabilities of default, exposures at default and losses given default.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

6. Revenue and Segment Reporting

a) *Revenue*

The amount of each significant category of revenue during the year is as follows:

	2021	2020
	HK$'000	HK$'000
Interest, guarantee and financing consultancy services income from:		
Pawn loans, loan receivables from micro-lending and money-lending	**242,462**	379,611
Loan receivables from the Incidents (Note 4)	**–**	205,922
Other loan receivables	**62,131**	128,406
	304,593	713,939
Interest and handling expenses from:		
Bank loans	**(1,305)**	(8,258)
Borrowings and loan payables	**(32,954)**	(78,461)
Loan payables from the Incidents (Note 4)	**(145,308)**	(206,494)
Unsecured bonds	**(24,371)**	(25,586)
Lease liabilities	**(869)**	(1,193)
Other finance costs	**(2,570)**	(4,392)
	(207,377)	(324,384)
Net interest income and service income	**97,216**	389,555
Income recognised over time under HKFRS 15:		
Education consultancy service	**4,650**	4,448

For the year ended 31 December 2021, the total amount of interest income on financial assets that is not at FVTPL, including bank interest income and other interest income from debt securities (Note 7(a)), was HK$308,504,000 respectively (2020: HK$720,788,000).

6. Revenue and Segment Reporting *(Continued)*

b) *Segmental Information*

(i) *Operating segment information*

The directors of the Company have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group for both years.

(ii) *Geographical information*

Revenue from external customers

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**63,061**	80,247
The PRC	**241,532**	633,692
United Kingdom	**4,650**	4,448
	309,243	718,387

The geographic location of revenue from external customers is based on the location at which the services were rendered.

Non-current assets

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**7,339**	32,585
The PRC	**401,004**	522,660
United Kingdom	**33,547**	33,327
	441,890	588,572

The above table sets out the information about the geographical location of the Group's property, plant and equipment, investment property, goodwill, intangible assets and interests in associates and joint ventures based on the physical location of these assets.

6. Revenue and Segment Reporting *(Continued)*

b) *Segmental Information (Continued)*

(iii) Information about major customers

There was no customer who individually contributed over 10% of the Group's revenue for the year (2020: nil).

7. Other Income and Other Gains and Losses

a) *Other Income*

	2021 HK$'000	2020 HK$'000
Bank interest income	3,911	6,849
Dividend income from financial assets at FVTPL	20,060	112
Income from government subsidies	7,511	15,923
Other consultancy services income	282	15,528
Others	4,514	5,185
	36,278	43,597

b) *Other Gains and Losses*

	2021 HK$'000	2020 HK$'000
Gain on deregistration of subsidiaries	434	–
Loss on disposal of financial assets at FVTOCI	–	(2,816)
Loss from changes in fair value of financial assets at FVTPL, net	(8,977)	(4,905)
(Loss)/gain from changes in fair value of contingent consideration receivables	(3,101)	4,724
Impairment loss on intangible assets	(20,444)	(3,360)
Loss on disposal of property, plant and equipment	(69)	(335)
Exchange gain, net	159	1,786
	(31,998)	(4,906)
Total	4,280	38,691

8. Impairment losses on financial instruments

	2021 HK$'000	2020 HK$'000
Impairment loss on loan and interest receivables from Incidents (Note 4)	**3,822**	981,580
Impairment loss on loan and other receivables	**4,093**	287,916
	7,915	1,269,496

9. Loss Before Taxation

The Group's loss before taxation is arrived at after charging:

	2021 HK$'000	2020 HK$'000
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	**78,625**	105,004
Contributions to defined contribution retirement plans	**6,378**	5,160
	85,003	110,164
(b) Other items:		
Auditor's remuneration		
– audit service	**2,380**	4,070
– non-audit service	**25**	615
	2,405	4,685
Depreciation of property, plant and equipment		
– self-owned assets (Note 14)	**2,829**	3,798
– right-of-use assets (Note 14)	**11,365**	16,089

10. Income Tax

a) *Taxation in the consolidated statement of profit or loss represents:*

	2021 HK$'000	2020 HK$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	60	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	33,724	128,535
Over-provision in respect of prior years	(3,404)	(53,624)
Withholding tax on dividends		
Provision for the year	–	13,822
Deferred tax		
Origination and reversal of temporary differences (Note 34(a))	2,414	25,539
	32,794	114,272

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

(ii) No provision for Hong Kong Profits Tax had been made in the financial statements as the Group did not have assessable profits arising in Hong Kong for the current and prior years.

(iii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Cayman Islands and United Kingdom, the Group is not subject to any income tax in the respective jurisdictions.

(iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% of the estimated taxable profits for the current and prior years.

(v) Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008 (note 34).

10. Income Tax *(Continued)*

b) *Reconciliation between tax expense charged to profit or loss and accounting loss at the applicable tax rates:*

	2021 HK$'000	2020 HK$'000
Loss before taxation	**(213,336)**	(1,243,096)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(34,250)**	(287,139)
Tax effect of non-taxable income	**(20,044)**	(21,018)
Tax effect of non-deductible expenses	**80,905**	124,378
Tax effect of temporary differences not recognised	**2,190**	338,288
Tax effect of tax losses not recognised	**7,343**	1,503
Tax effect of utilisation of unused tax losses previously not recognised	**(6)**	(1,138)
Over-provision of PRC enterprise income tax in prior years	**(3,404)**	(53,624)
Under-provision of Hong Kong profit tax	**60**	–
Recognition of tax loss previously not recognised	**–**	(800)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**–**	13,822
Income tax expense	**32,794**	114,272

11. Directors' and Chief Executive's Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

(a) Year ended 31 December 2021

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Dr. Cheung Chai Hong	600	5,342	18	5,960
Non-executive directors				
Mr. Chan Yuk Ming *(Chairman)*	–	881	18	899
Mr. Dong Yibing (note (i))	34	–	–	34
Madam Huang Mei (note (ii))	21	–	–	21
Mr. Tao Chun (note (iii))	68	–	–	68
Mr. Wu Xinjiang (note (iv))	99	–	–	99
Mr. Zhang Min (note (v))	3	–	–	3
Mr. Fang Feiyue (note (vi))	120	289	–	409
Independent non-executive directors				
Mr. Lee Ka Wai (note (vii))	70	–	–	70
Mr. Chan Wing Fai (note (viii))	50	–	–	50
Mr. Chan Chun Keung	120	–	–	120
Dr. Zhang Xiao Jun	120	–	–	120
Madam Zhan Lili	120	–	–	120
	1,425	6,512	36	7,973

11. Directors' and Chief Executive's Emoluments *(Continued)*

(a) *Year ended 31 December 2021 (Continued)*

Notes:

(i) Mr. Dong Yibing has resigned as a non-executive director and ceased to be a member of the remuneration committee and the nomination committee of the Company with effect from 12 April 2021.

(ii) Madam Huang Mei has resigned as non-executive director and a member of the audit committee of the Company with effect from 4 March 2021.

(iii) Mr. Tao Chun has been appointed as a non-executive director and a member of the Remuneration Committee and the Nomination Committee of the Company with effect from 8 June 2021.

(iv) Mr. Wu Xinjiang was appointed as non-executive director and a member of the audit committee of the Company on 4 March 2021.

(v) On 24 December 2021, the Company announced Mr. Zhang Min ("Mr. Zhang") has been appointed as a non-executive director of the Company.

On 17 October 2022, Mr. Zhang has been re-designed from a non-executive director to an executive director of the Company and he has been appointed as the CEO of the Company with effect from 22 November 2022. The Company has established a Business Risks Committee (the "Committee") with Mr. Zhang as the chairman of the Committee and all independent non-executive directors as members.

(vi) Mr. Fang Feiyue resigned as a non-executive director of the Company on 17 October 2022.

(vii) Mr. Lee Ka Wai has been appointed as an independent non-executive director and the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company with effect from 31 May 2021.

(viii) Mr. Chan Wing Fai has resigned as an independent non-executive director and the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company with effect from 31 May 2021.

11. Directors' and Chief Executive's Emoluments *(Continued)*

(b) Year ended 31 December 2020

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Luo Rui (note (i))	210	2,460	126	2,796
Madam Guan Xue Ling (note (ii))	210	2,416	86	2,712
Dr. Cheung Chai Hong	600	4,410	18	5,028
Non-executive directors				
Mr. Cheung Siu Lam (note (iii))	–	1,911	12	1,923
Mr. Chan Yuk Ming *(Chairman)*	–	984	18	1,002
Mr. Dong Yibing	120	–	–	120
Mr. Fang Feiyue (note (iv))	40	68	–	108
Madam Huang Mei	120	–	–	120
Independent non-executive directors				
Mr. Chan Wing Fai	120	–	–	120
Mr. Chan Chun Keung	120	–	–	120
Dr. Zhang Xiao Jun	120	–	–	120
Madam Zhan Lili	120	–	–	120
	1,780	12,249	260	14,289

Notes:

(i) Mr. Luo Rui was terminated as chief executive officer and executive director on 16 October 2020. For the year ended 31 December 2020, the amount represented his emoluments from 1 January 2020 to the date of termination.

(ii) Madam Guan Xue Ling was terminated as executive director on 16 October 2020. For the year ended 31 December 2020, the amount represented her emoluments from 1 January 2020 to the date of termination.

(iii) Mr. Cheung Siu Lam resigned as non-executive director on 31 August 2020. For the year ended 31 December 2020, the amount represented his emoluments from 1 January 2020 to the date of resignation.

(iv) Mr. Fang Feiyue was appointed as non-executive director on 31 August 2020. For the year ended 31 December 2020, the amount represented his emoluments from the date of appointment.

No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and there was no arrangement under which a director has waived or agreed to waive any emoluments during the year (2020: Nil).

12. Individuals with Highest Emoluments

The five highest paid employees during the year included one director and one employee who was appointed as director of the Group during the year (2020: four directors), details of the remuneration for their services as directors are set out in Note 11. Details of the remuneration of the non-director highest paid employees (including one employee who was appointed as director of the Group during the year) are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	6,039	2,658
Retirement scheme contributions	72	18
	6,111	2,676

The emoluments of the four (2020: one) individuals with the highest emoluments are within the following bands for the year:

	Number of individuals	
	2021	2020
HK$1,000,000 to HK$1,500,000	3	–
HK$2,500,001 to HK$3,000,000	1	1

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year (2020: Nil).

13. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$250,065,000 (2020: HK$1,216,632,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the year of 202,323,367 (2020: 204,940,408).

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom (the "Share Consolidation").

Comparative figures of the weighted average number of shares for calculating basic and diluted loss per shares have been adjusted retrospectively on the assumption that the Share Consolidation have been effective in prior year.

Diluted loss per share is not presented as the Company does not have any dilutive potential ordinary share for both years.

14. Property, Plant and Equipment

(a) Reconciliation of carrying amount

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Properties leased for own use HK$'000	Total HK$'000
Cost					
At 1 January 2020	15,012	8,847	15,910	17,351	57,120
Additions	16	–	533	19,650	20,199
Disposals	(26)	–	(1,807)	–	(1,833)
Lease modification	–	–	–	13,259	13,259
Early termination of lease contracts	–	–	–	(257)	(257)
Expiration of lease contracts	–	–	–	(12,605)	(12,605)
Exchange adjustment	693	583	749	1,401	3,426
At 31 December 2020 and 1 January 2021	15,695	9,430	15,385	38,799	79,309
Additions	872	–	619	5,164	6,655
Disposals	(876)	(1,907)	(1,358)	–	(4,141)
Lease modification	–	–	–	1,730	1,730
Early termination of lease contracts	–	–	–	(4,719)	(4,719)
Expiration of lease contracts	–	–	–	(8,758)	(8,758)
Exchange adjustment	350	93	347	670	1,460
At 31 December 2021	**16,041**	**7,616**	**14,993**	**32,886**	**71,536**
Accumulated depreciation and impairment					
At 1 January 2020	11,570	7,724	7,942	10,358	37,594
Charge for the year	1,489	377	1,932	16,089	19,887
Written back on disposals	(9)	–	(1,489)	–	(1,498)
Expiration of lease contracts	–	–	–	(12,605)	(12,605)
Exchange adjustment	677	581	536	562	2,356
At 31 December 2020 and 1 January 2021	13,727	8,682	8,921	14,404	45,734
Charge for the year	875	234	1,720	11,365	14,194
Written back on disposals	(610)	(1,907)	(1,093)	–	(3,610)
Expiration of lease	–	–	–	(8,758)	(8,758)
Early termination of lease contracts	–	–	–	(117)	(117)
Exchange adjustment	334	91	743	427	1,595
At 31 December 2021	**14,326**	**7,100**	**10,291**	**17,321**	**49,038**
Carrying amounts					
At 31 December 2021	**1,715**	**516**	**4,702**	**15,565**	**22,498**
At 31 December 2020	1,968	748	6,464	24,395	33,575

14. Property, Plant and Equipment *(Continued)*

(b) *Right-of-use assets*

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2021 HK$'000	2020 HK$'000
Properties leased for own use	**15,565**	24,395

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**11,365**	16,089
Interest expenses on lease liabilities (Note 6(a))	**869**	1,193
Expense relating to short-term leases	**532**	1,499

Notes:

(i) Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 27 and 36, respectively.

(ii) *Properties leased for own use*

The Group has obtained the right to use other properties as its office premises and director's quarter through tenancy agreements. The leases typically run for an initial period of 1 to 5 years (2020: 1 to 5 years). None of the leases includes variable lease payments.

(iii) During the year ended 31 December 2021, the Group entered into new office lease. Right-of-use assets and lease liabilities of HK$5,164,000 (2020: HK$19,650,000) and HK$5,164,000 (2020: HK$19,650,000) were recognised at the commencement of the leases respectively. Furthermore, the Group recognised right-of-use assets and lease liabilities of HK$1,730,000 (2020: HK$13,259,000) and HK$1,730,000 (2020: 13,259,000), respectively, in relation to lease modification during the year.

15. Investments in Subsidiaries and Structured Entities

(a) *Subsidiaries*

The following list contains only the particulars of the major subsidiaries with active operations of the Group for the year:

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company 2021	2020	Principal activities
Directly owned					
K.P.B. Group Holdings Limited	BVI/Hong Kong	Ordinary US$12	100%	100%	Investment holding
Noble Lion Education Company Limited	Hong Kong	1 ordinary share	100%	100%	Provision of education services
北京華夏興業融資擔保有限公司 (note a)	The PRC	Registered capital RMB300,000,000	100%	100%	Provision of loan guarantee services and financing consultancy services
北京中金城開小額貸款有限公司 ("中金城開") (note a)	The PRC	Registered capital RMB320,000,000	100%	100%	Micro-lending
深圳市領達小額貸款有限公司 ("Shenzhen Credit Gain") (note b)	The PRC	Registered capital RMB300,000,000	100%	100%	Micro-lending
重慶兩江新區領達小額貸款有限公司 ("Chongqing Credit Gain") (note b)	The PRC	Registered capital US$50,000,000	100%	100%	Micro-lending
Indirectly owned					
Brick Lane Education Company Limited	Hong Kong	10 ordinary shares	60%	60%	Provision of education services
Access Global Education Enterprise Limited	Hong Kong	1,000 ordinary shares	60%	60%	Provision of education services
Access (UK) Education Limited	United Kingdom	100 ordinary shares	60%	60%	Provision of education services
Charter Merit Limited	Hong Kong	2 ordinary shares	100%	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	2 ordinary shares	100%	100%	Holding of a club membership
K.P.I. Development Limited	Hong Kong	2 ordinary shares and 10,000 non-voting deferred shares	100%	100%	Securities trading

15. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) *Subsidiaries (Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company 2021	2020	Principal activities
K.P.I. Industries Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	**100%**	100%	Holding of club memberships
K.P.I. International Trading Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	**100%**	100%	Securities trading
Kronos Real Estate Agency Limited (formerly known as "KP Property Agents Company Limited")	Hong Kong	2 ordinary shares	**100%**	100%	Property Agent
KP Financial Holdings Limited	Hong Kong	1 ordinary share	**100%**	100%	Investment holding
QL Credit Gain Finance Company Limited	Hong Kong	1,000,000 ordinary shares	**100%**	100%	Money lending
KP Credit Gain Finance Company Limited	Hong Kong	1,000,000 ordinary shares	**100%**	100%	Money lending
北京中嘉利通商貿有限公司 (note a)	The PRC	Registered capital RMB30,000,000	**100%**	100%	Investment holding
北京中港佳鄰商業有限公司 (note a)	The PRC	Registered capital US$13,000,000	**100%**	100%	Provision of financing consultancy services
北京中金投財務諮詢有限公司 (note a)	The PRC	Registered capital US$300,000	**100%**	100%	Provision of financing consultancy services
北京中金港資產管理有限公司 (note b)	The PRC	Registered capital RMB200,000,000	**100%**	100%	Provision of financing consultancy services
北京中金投典當行有限公司 (note b)	The PRC	Registered capital RMB200,000,000	**100%**	100%	Money lending
北京惠豐融金小額貸款有限公司 (note b)	The PRC	Registered capital RMB50,000,000	**70%**	70%	Micro-lending

15. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company 2021	2020	Principal activities
北京融信嘉資產管理有限公司 (note b)	The PRC	Registered capital RMB100,000,000	100%	100%	Provision of financing consultancy services
北京朗明格諮詢有限公司 (note b)	The PRC	Registered capital RMB27,500,000	100%	100%	Provision of financing consultancy services
中金恒豐(北京)科技服務有限公司 ("中金恒豐") (note b)	The PRC	Registered capital RMB10,000,000	100%	100%	Micro-lending
成都市武侯惠信小額貸款有限責任公司 (note b)	The PRC	Registered capital RMB300,000,000	90%	90%	Micro-lending
北京啟航暢聯科技有限公司 (note b)	The PRC	Registered capital RMB91,000,000	100%	100%	Provision of consultancy services
北京誠通萬鈞諮詢有限公司 (note b)	The PRC	Registered capital RMB80,000,000	100%	100%	Provision of financing consultancy services
北京領路達航咨詢有限公司 (note b)	The PRC	Registered capital RMB5,000,000	100%	100%	Provision of financing consultancy service
北京中金融華商業保理有限公司 (note b)	The PRC	Registered capital RMB50,000,000	100%	100%	Provision of factoring service
北京中金龍興投資管理有限公司 (note b)	The PRC	Registered capital RMB300,000,000	100%	100%	Provision of financing consultancy services
北京金財睿咨詢有限公司 (note b)	The PRC	Registered capital RMB100,000,000	100%	100%	Provision of financing consultancy services

15. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) Subsidiaries *(Continued)*

Notes:

a) The entity is a wholly-foreign-owned enterprise established in the PRC.

b) The entity is a limited liability company established in the PRC.

The following table lists out the information relating to the subsidiaries of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	北京惠豐融金小額貸款有限公司		成都市武侯惠信小額貸款有限責任公司	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
NCI percentage	**30%**	30%	**10%**	10%
Current assets	**145,617**	140,481	**343,195**	367,236
Non-current assets	**1,963**	2,061	**124,954**	88,297
Current liabilities	**(812)**	(2,876)	**(24,142)**	(26,402)
Non-current liabilities	**–**	–	**(960)**	(1,820)
Net assets	**146,768**	139,666	**443,047**	427,311
Carrying amount of NCI	**44,031**	41,900	**44,305**	42,731
Revenue	**6,901**	17,649	**55,583**	56,504
Profit for the year	**2,951**	11,524	**35,656**	39,007
Total comprehensive income	**7,012**	19,875	**48,267**	64,836
Profit allocated to NCI	**885**	3,457	**3,566**	3,901
Dividend paid to NCI	**–**	–	**3,253**	3,938
Cash flows from operating activities	**1,224**	477	**(94,848)**	70,824
Cash flows from investing activities	**261**	(42)	**1,146**	1
Cash flows from financing activities	**–**	–	**(926)**	1,564

15. Investments in Subsidiaries and Structured Entities *(Continued)*

(b) *Structured entities*

The Group had consolidated a structured fund ("Fund"). For the Fund, the directors of the Company consider that the Group has a control over the Fund since

(1) the Group involves as investment manager;
(2) the Group is acting as a principal in the Fund;
(3) no substantial removal rights held by other parties may remove the Group as an investment manager; and
(4) the investment interests held together with its remuneration from servicing and managing the Fund creates significant exposure to the variability of returns in the Fund.

Details of the Group's consolidated structured entity is as follows:

Name of structured entity	Size of fund as at 31 December		Proportion of interests held by the Group as at 31 December		Principal activities
	2021	2020	2021	2020	
	HK$'000	HK$'000			
Kronos Fund SPC (the "Fund")	–	12,576	–	39.39%	Fund investment

The Group has terminated the Fund with effect from 11 June 2021.

The financial impact of the Fund on the Group's financial position as at 31 December 2021, and results and cash flows for the year, though consolidated, are not significant and therefore not disclosed separately.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other payables in the consolidated statement of financial position as set out in Note 28 (d).

16. Goodwill

	HK$'000
Carrying amount	
At 1 January 2020	597,551
Impairment loss on goodwill	(127,820)
Exchange adjustment	30,995
At 31 December 2020 and 1 January 2021	500,726
Impairment loss on goodwill	(128,389)
Exchange adjustment	12,167
At 31 December 2021	384,504

Goodwill has been allocated for impairment testing purpose to the following CGUs.

– Financing business in Beijing, the PRC ("Division A")
– Education business in United Kingdom ("Division B")
– Financing business in Shenzhen ("Division C")

The carrying amounts of goodwill as at 31 December 2021 and 31 December 2020 allocated to these CGUs are as below:

	2021 HK$'000	2020 HK$'000
Division A	365,673	481,841
Division B	18,564	18,626
Division C	267	259
	384,504	500,726

16. Goodwill *(Continued)*

Division A

The recoverable amount of the Division A is determined based on the value in use calculations from a business valuation report on the Division A prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2020: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a five-year period (2020: five-year period). Cash flows beyond the five-year period (2020: five-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the Division A operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to Division A.

Key assumptions used for the value-in-use calculations are as follows:

	2021	2020
Growth rate	**2.0%**	3.0%
Operating margin	**64.3%**	68.6%
Discount rate	**11.9%**	12.2%

Management determined the budgeted operating margin based on past performance and its expectation for market development.

During the year ended 31 December 2021, the trend for interest rate for loan receivables is estimated to be downward under the present economic environment, resulting in the lower estimated future revenue than previously expected. In addition, the trend for expected credit loss for loan receivables is estimated to be upward, resulting in a lower income than previously expected. Accordingly, the estimated recoverable amount was lower than its carrying amount, hence an impairment loss of HK$128,389,000 was recognised for the year (2020: HK$124,671,000).

16. Goodwill *(Continued)*

Division B

The recoverable amount of the Division B is determined based on the value in use calculations from a business valuation report on the Division B prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2020: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a five-year period (2020: five-year period). Cash flows beyond the five-year period (2020: five-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the Division B operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to Division B.

Key assumptions used for the value-in-use calculations are as follows:

	2021	2020
Growth rate	**2.0%**	2.0%
Earnings before interest and tax (“EBIT”) margin	**24.8%**	24.6%
Discount rate	**14.4%**	15.3%

Management determined the budgeted EBIT margin based on past performance and its expectation for market development.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the Division B to exceed its recoverable amount.

For the year ended 31 December 2021, no impairment loss on goodwill relating to Division B was recognised (2020: nil) .

Division C

For the year ended 31 December 2021, since the recoverable amounts of Division C were larger than the carrying amounts, the directors of the Company considered that no impairment of goodwill was recognised (2020: Nil).

17. Intangible Assets

	Club memberships HK$'000	Tradenames HK$'000	Total HK$'000
At 1 January 2020	20,062	19,371	39,433
Impairment	(3,360)	–	(3,360)
Exchange adjustment	(1,526)	–	(1,526)
At 31 December 2020	15,176	19,371	34,547
Impairment	(1,073)	(19,371)	(20,444)
At 31 December 2021	14,103	–	14,103

The tradenames and club memberships have been considered to have indefinite lives because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

For the year ended 31 December 2021, the directors of the Company considered that the recoverable amount of the club membership and the tradenames were lower than its carrying amount, an impairment of HK$1,073,000 and HK$19,371,000 for club memberships and tradenames was recogised in the profit or loss during the year, respectively (2020: HK$3,360,000).

18. Interests in Associates

	2021 HK$'000	2020 HK$'000
Carrying amount in the consolidated statement of financial position	**19,535**	19,369

The following list contains the particulars of associates, which are unlisted corporate entities whose quoted market price are not available.

Name of associate	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Directly held by the Company	Principal activity
北京中匯豐源融資租賃有限公司 (“中匯豐源”) (note (i))	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commenced operation
KGH Holdings Limited (“KGH”) (note (ii))	Republic of Seychelles	100 ordinary shares	40%	–	Investment holding
Thetford Grammar School Limited (“Thetford Grammar School”) (note (ii))	United Kingdom	5,760,480 ordinary shares	40%	–	Provision of education services
北京達隆恆業管理有限公司 (“達隆恆業”) (note (iii))	The PRC	Registered capital RMB10,000,000	20%	20%	Provision of consultancy services

18. Interests in Associates *(Continued)*

Notes:

(i) 中匯豐源 is established in the PRC in the form of sino-foreign equity enterprise.

The Company has an obligation to contribute an amount of US$2,000,000 (equivalent to approximately HK$15,600,000) (2020: US$2,000,000 (equivalent to approximately HK$15,600,000)), representing 25% equity interest to 中匯豐源.

(ii) KGH held 100% equity interest in Thetford Grammar School. KGH and Thetford Grammar School are collectively referred to as the "KGH Group".

(iii) The Group acquired 20% equity interest in 北京達隆恆業管理有限公司 ("達隆恆業") from 北京萬方達隆物業管理有限公司 where Mr. Cheung Siu Lam, father of Dr. Cheung Chai Hong, is the director of 北京萬方達隆物業管理有限公司.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

a) *Summarised financial information of 中匯豐源*

Financial information about the Group's interest in 中匯豐源, that is not material, is disclosed below:

	中匯豐源	
	2021	2020
	HK$'000	HK$'000
Loss for the year	**(20)**	(12)
Other comprehensive income for the year	**432**	888
Total comprehensive income for the year	**412**	876
Carrying amount in the consolidated financial statements	**3,776**	3,672

18. Interests in Associates *(Continued)*

b) *Summarised financial information of KGH Group*

Summarised financial information of KGH Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	KGH Group	
	2021	2020
	HK$'000	HK$'000
Non-current assets	**36,287**	37,727
Current assets	**8,964**	7,074
Current liabilities	**23,488**	23,588
Equity	**21,763**	21,213
Revenue	**30,204**	28,947
Profit for the year	**673**	2,084
Other comprehensive (expenses)/income for the year	**(123)**	1,094
Total comprehensive income for the year	**550**	3,178

c) *Reconciliation of the above summarised financial information of KGH Group to the carrying amount of the interest in associate recognised in the consolidated financial statements:*

	KGH Group	
	2021	2020
	HK$'000	HK$'000
Net assets of the associate	**21,763**	21,213
Group's effective interest	**40%**	40%
Group's share of net assets of the associate	**8,705**	8,485
Goodwill (note)	**7,054**	7,054
Carrying amount in the consolidated financial statements	**15,759**	15,539

Note: The recoverable amount of the KGH Group is determined based on the value in use calculations, from a business valuation report on the KGH Group prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited.

Based on the valuation, no impairment loss on interests in associates relating to KGH Group was recognised during the year ended 31 December 2021 (2020: Nil).

18. Interests in Associates *(Continued)*

d) Summarised financial information of 達隆恆業

Summarised financial information of 達隆恆業, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	達隆恆業	
	2021	2020
	HK$'000	HK$'000
Current assets	**303,262**	452,629
Current liabilities	**324,783**	451,839
(Deficit) equity	**(21,521)**	790
Loss for the year	**(22,001)**	(10,504)
Other comprehensive (expense)/income for the year	**(310)**	269
Total comprehensive expense for the year	**(22,311)**	(10,235)

e) Reconciliation of the above summarised financial information of 達隆恆業 to the carrying amount of the interest in associate recognised in the consolidated financial statements:

	達隆恆業	
	2021	2020
	HK$'000	HK$'000
Net (liabilities)/assets of the associate	**(21,521)**	790
Group's effective interest	**20%**	20%
Group's share of net assets of the associate	**–**	158
Carrying amount in the consolidated financial statements	**–**	158

19. Interests in Joint Ventures

	2021 HK$'000	2020 HK$'000
Carrying amount in the consolidated statement of financial position	–	355

The following list contains the particulars of joint ventures, which are an unlisted corporate entities whose quoted market price are not available.

			Proportion of ownership interest		
Name of joint venture	Place of incorporation/ registration and operation	Particulars of issued capital	Group's effective interest	Directly held by the Company	Principal activity
Oyster Pie Group Limited	Hong Kong	400 ordinary shares	50%	–	Investment holding
Oyster Pie Solutions Limited (note)	Hong Kong	100 ordinary shares	50%	–	Money lending

Note: Oyster Pie Group Limited held 100% equity interest in Oyster Pie Solutions Limited. They are collectively referred to as the "Oyster Pie Group".

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

On 29 August 2022, the Group entered into a purchase and sale agreement with other joint venture owner of Oyster Pie Group to acquire the remaining 50% equity interest in Oyster Pie Group Limited at a consideration of HK$1,000,000. The said transaction was completed on 31 August 2022 and Oyster Pie Group Limited became a wholly owned subsidiary of the Company since then.

19. Interests in Joint Ventures *(Continued)*

a) *Summarised financial information of Oyster Pie Group*

Summarised financial information of Oyster Pie Group, adjusted for any difference in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Oyster Pie Group	
	2021	2020
	HK$'000	HK$'000
Non-current assets	**388**	500
Current assets	**463**	840
Current liabilities	**953**	630
(Deficit)/Equity	**(102)**	710
Loss for the year	**(812)**	(858)
Total comprehensive expenses for the year	**(812)**	(858)

b) *Reconciliation of the above summarised financial information to the carrying amount of the interest in joint venture recognised in the consolidated financial statements:*

	Oyster Pie Group	
	2021	2020
	HK$'000	HK$'000
Net (liabilities)/assets of the joint venture	**(102)**	710
Group's effective interest	**50%**	50%
Group's share of net assets of the joint venture	**–**	355
Carrying amount in the consolidated financial statements	**–**	355

20. Other financial assets

	2021 HK$'000	2020 HK$'000
Financial assets mandatory measured at FVTPL		
– Equity securities listed in Hong Kong	**1,653**	1,870
– Unlisted investment funds in the PRC	**13,223**	21,264
Financial assets designated at FVTPL		
– Unlisted debt securities	**14,198**	–
Total	**29,074**	23,134

21. Contingent Consideration Receivables

Contingent consideration receivables represented the profit guarantee arising from (i) the acquisition of Access Global Education Enterprise Limited and its subsidiary (collectively referred to as the "Access Global Group") during the year ended 31 December 2017; and (ii) the acquisition of KGH Group during the year ended 31 December 2018. The contingent consideration receivables are measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivables is as follows:

	HK$'000
At fair value	
At 1 January 2020	10,682
Fair value change	4,724
Transfer to other receivables	(5,190)
At 31 December 2020 and 1 January 2021	10,216
Fair value change	(3,101)
At 31 December 2021	7,115

21. Contingent Consideration Receivables *(Continued)*

(i) Acquisition of Access Global Group

Pursuant to the sale and purchase agreement, a three-year profit guarantee with profit of each anniversary date of 30 June 2018, 30 June 2019 and 30 June 2020 should not be less than British Pound ("GBP") 350,000, GBP450,000 and GBP500,000, respectively. The profit guarantee terms have been matured on 30 June 2020 and the guaranteed profit cannot be met, such receivable of HK$5,190,000 has been transferred to other receivables upon the maturity of profit guarantee terms during the year. The Board assessed the recoverability of such receivables in accordance to the Group's accounting policies and an impairment loss of HK$5,190,000 is recognised in profit or loss during the year ended 31 December 2020.

(ii) Acquisition of KGH Group

Pursuant to the sale and purchase agreement, a four-year profit guarantee with profit of each anniversary date of 31 August 2019, 31 August 2020, 31 August 2021 and 31 August 2022 should not be less than Nil, GBP300,000, GBP600,000 and GBP900,000, respectively.

The fair value of the contingent consideration receivables for both the current and prior years are based on the valuation performed by Peak Vision Appraisals Limited, an independent professional valuer not connected with the Group.

22. Loan Receivables

	2021 HK$'000	2020 HK$'000
Pawn loan receivables	171,876	236,115
Loan receivables arising from:		
– Micro-lending	1,365,704	1,276,216
– Money-lending	328,267	532,088
Loan receivables from the Incidents	1,074,667	1,323,725
Other loan receivables	337,727	651,201
	3,278,241	4,019,345
Less: Impairment	(1,139,806)	(1,416,523)
	2,138,435	2,602,822
Amounts due within one year	1,816,339	2,134,916
Amounts due after one year	322,096	467,906
	2,138,435	2,602,822

The loan receivables in the PRC carry interest plus service charge at a range of monthly effective rates of 0.74% to 3.00% (2020: 0.74% to 3.00%), and the loan receivables in Hong Kong carry interest at a range of monthly effective rates of 0.33% to 5.00% (2020: 0.35% to 4.97%).

A typical loan generally has a term of 30 days to 30 years (2020: 90 days to 30 years).

As at 31 December 2021, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$1,037,638,000 (2020: HK$1,235,649,000) which are past due. Out of the past due balances, HK$888,670,000 (2020: HK$859,160,000) has been past due 90 days or more. The Directors consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired.

Certain loan receivables with the aggregate amount of HK$161,078,000 (2020: HK$252,167,000) were pledged to the vendor to secure the consideration payable for acquisitions of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong. Such loan receivables will be released upon the Group pays the consideration to the vendor in April 2022.

22. Loan Receivables *(Continued)*

Out of the total loan receivables, amounted to RMB162,280,000 (equivalent to approximately HK$198,483,000) belongs to Zhongjin Jiasheng Investment Fund Management (Beijing) Co (中金佳晟投资基金管理(北京)有限公司)("Zhongjin Jiasheng"), a debtor of the Group who also act as an agent to assist the group entities to negotiate the one-off settlement directly with the investors/lenders related to the Incidents during the year ended 31 December 2021. No outstanding payable balance with Zhongjin Jiasheng is noted as at 31 December 2021.

a) *Maturity profile*

As at the end of the reporting period, the maturity profile of loan receivables, based on maturity date, is as follows:

(i) *As at 31 December 2021*

	Pawn loan receivables HK$'000	Loan receivables arising from micro-lending HK$'000	Loan receivables arising from money-lending HK$'000	Loan receivables from the Incidents HK$'000	Other loan receivables HK$'000	Total HK$'000
Due within 1 month or on demand	135,641	587,800	41,193	1,074,667	337,727	2,177,028
Due after 1 month but within 3 months	3,914	166,412	14,107	–	–	184,433
Due after 3 months but within 6 months	27,520	248,396	17,287	–	–	293,203
Due after 6 months but within 12 months	4,801	234,250	56,575	–	–	295,626
Due after 12 months	–	128,846	199,105	–	–	327,951
Impairment	(12,915)	(35,761)	(10,625)	(1,074,667)	(5,838)	(1,139,806)
	158,961	1,329,943	317,642	–	331,889	2,138,435

(ii) *As at 31 December 2020*

	Pawn loan receivables HK$'000	Loan receivables arising from micro-lending HK$'000	Loan receivables arising from money-lending HK$'000	Loan receivables from the Incidents HK$'000	Other loan receivables HK$'000	Total HK$'000
Due within 1 month or on demand	145,014	515,142	42,956	1,323,725	583,713	2,610,550
Due after 1 month but within 3 months	17,704	71,455	31,912	–	–	121,071
Due after 3 months but within 6 months	72,478	349,803	55,145	–	25,308	502,734
Due after 6 months but within 12 months	919	241,233	38,855	–	42,180	323,187
Due after 12 months	–	98,583	363,220	–	–	461,803
Impairment	(8,704)	(34,061)	(19,267)	(1,276,872)	(77,619)	(1,416,523)
	227,411	1,242,155	512,821	46,853	573,582	2,602,822

22. Loan Receivables *(Continued)*

b) *Reconciliation of changes in allowance for ECL of loan receivables*

	Not credit – impaired		Credit – impaired	Total
	Stage 1	Stage 2	Stage 3	
	Allowance for ECL HK$'000	Allowance for ECL HK$'000	Allowance for ECL HK$'000	Allowance for ECL HK$'000
At 1 January 2021	**2,755**	**12,049**	**1,401,719**	**1,416,523**
Transfer of stages:				
– transfers to Stage 2	**(76)**	**76**	**–**	**–**
– transfers to Stage 3	**(59)**	**(1,478)**	**1,537**	**–**
Net changes of ECL from loan receivables due from existing debtors	**(2,381)**	**(10,294)**	**(67,781)**	**(80,456)**
Recognition of ECL on new loan receivables originated	**1,008**	**541**	**1,978**	**3,527**
Write-offs	**–**	**–**	**(236,169)**	**(236,169)**
Exchange adjustment	**21**	**134**	**36,226**	**36,381**
At 31 December 2021	**1,268**	**1,028**	**1,137,510**	**1,139,806**

	Not credit – impaired		Credit – impaired	Total
	Stage 1	Stage 2	Stage 3	
	Allowance for ECL HK$'000	Allowance for ECL HK$'000	Allowance for ECL HK$'000	Allowance for ECL HK$'000
At 1 January 2020	40,145	3,772	1,213,552	1,257,469
Transfer of stages:				
– transfer to Stage 2	(1,686)	1,686	–	–
– transfer to Stage 3	(1,213)	(409)	1,622	–
Net changes of ECL from loan receivables due from existing debtors	(36,777)	4,309	1,013,697	981,229
Recognition of ECL on new loan receivables originated	1,975	2,179	924	5,078
Write-offs	–	–	(910,943)	(910,943)
Exchange adjustment	311	512	82,867	83,690
At 31 December 2020	(2,755)	(12,049)	(1,401,719)	(1,416,523)

Details of the Group's credit policy and definitions of Stage 1, Stage 2 and Stage 3 are set out in Note 45(a).

23. Account Receivables

	2021 HK$'000	2020 HK$'000
Account receivables	187	520

All of the Group's account receivables are expected to be recovered within one year.

Ageing analysis

As at the end of the reporting period, the ageing analysis of account receivables, based on the revenue recognition date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	187	202
3 to 6 months	–	73
Over 6 months	–	245
	187	520

Account receivables are due on the date of billing. Further details on the Group's credit policy are set out in the Note 45(a).

As at 31 December 2021, included in the Group's account receivables balance are debtors with aggregate carrying amount of HK$187,000 (2020: HK$520,000) which are past due. Out of the past due balances, no balance (2020: HK$318,000) has been past due 90 days or more and is not considered as in default as the Directors are of the opinion that the balances are still considered fully recoverable due to on-going relationship and good repayment record from these debtors. The Group does not hold collateral over these balances.

As at 31 December 2021, allowance for lifetime ECL of HK$27,000 (2020: HK$338,000) is recognised for account receivables with aggregated gross carrying amount of HK$214,000 (2020: HK$858,000).

24. Interest Receivables

	2021 HK$'000	2020 HK$'000
Interest receivables	8,273	24,356

All of the interest receivables are expected to be recovered within one year.

Ageing analysis

As at the end of the reporting period, the ageing analysis of interest receivables, based on the revenue recognition date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	4,622	6,411
1 to 3 months	945	2,815
3 to 6 months	590	3,540
Over 6 months	2,116	11,590
	8,273	24,356

Interest receivables are due on the date of billing (or on maturity date corresponding of loan receivables according to the relevant loan agreements).

As at 31 December 2021, included in the Group's interest receivables balance are debtors with aggregate carrying amount of HK$5,321,000 (2020: HK$19,950,000) which are past due. Out of the past due balances, HK$2,306,000 (2020: HK$14,264,000) has been past due 90 days or more. The Directors consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired.

As at 31 December 2021, allowance for lifetime ECL of HK$4,110,000 (2020: HK$152,775,000) is recognised for interest receivables with aggregate gross carrying amount of HK$10,553,000 (2020: HK$165,729,000) which are identified as credit-impaired financial assets, and allowance of 12m ECL of HK$18,000 (2020: HK$41,000) is recognised for interest receivables with aggregate gross carrying amount of HK$1,848,000 (2020: HK$3,704,000) because there has been no significant increase in credit risk since initial recognition based on past due information.

25. Other Receivables, Deposits and Prepayments

	2021 HK$'000	2020 HK$'000
Non-current asset		
Deposit paid for potential investment project (note 4)	35,000	35,000
Current assets		
Other receivables	55,334	74,707
Prepayments	1,529	2,570
Deposit placed with brokers (note)	1,825	12,936
Utility and sundry deposits	3,413	4,097
	62,101	94,310
Total	97,101	129,310

Note: The amounts represent margin deposits placed with brokers for trading derivative financial instruments. The amounts carry interest at variable interest rates of 0.001% (2020: 0.01%) per annum.

Except for the deposits paid for potential investment project, all of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

26. Pleged Bank and Security Deposits

a) As at 31 December 2021, no deposit (2020: HK$10,130,000) was pledged to banks to secure bank loans and banking facilities granted to the Company and the Group. The interest rates on the deposits are ranging from 0.01% to 0.1% per annum for the year (2020: 0.01% to 0.1%).

b) All of the secuity deposits paid as at 31 December 2020 were expected to be recovered within one year.

27. Cash and Cash Equivalents

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents in the consolidated statements of financial position and cash flows:		
Cash at banks and on hand	**462,650**	595,495
Time deposits with original maturity		
– Within three month	**109,018**	–
	571,668	595,495

Notes:

a) Deposits with banks carry interest at market rates approximately 0.01% (2020: 0.01%) per annum.

b) Cash at banks as at 31 December 2021 includes HK$380,787,000 (2020: HK$575,438,000) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

27. Cash and Cash Equivalents *(Continued)*

a) *Reconciliation of liabilities arising from financing activities*

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

	Borrowings and loan payables (Note 28) HK$'000	**Bank loans (Note 29)** HK$'000	**Unsecured bonds (Note 35)** HK$'000	**Amount due to an associate (Note 33)** HK$'000	**Lease liabilities (Note 36)** HK$'000	**Total** HK$'000
At 1 January 2020 (Restated)	2,462,263	237,598	294,363	2,885	7,544	3,004,653
Proceeds from new bank loans	–	86,414	–	–	–	86,414
Repayment of bank loans	–	(293,022)	–	–	–	(293,022)
Proceeds from new borrowings	987,809	–	–	–	–	987,809
Repayment of borrowings	(1,830,962)	–	–	–	–	(1,830,962)
Proceeds from the issue of unsecured bonds	–	–	11,390	–	–	11,390
Redemption of unsecured bonds	–	–	(13,690)	–	–	(13,690)
Repayment to an associate	–	–	–	(11)	–	(11)
Capital element of lease rental paid	–	–	–	–	(16,881)	(16,881)
Interest element of lease rental paid	–	–	–	–	(1,193)	(1,193)
Other interest paid	(170,273)	(8,258)	(18,428)	–	–	(196,959)
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	19,650	19,650
Early termination of lease contracts	–	–	–	–	(282)	(282)
Increase in lease liabilities from lease modification	–	–	–	–	13,259	13,259
Interest expenses	284,955	8,258	25,586	–	1,193	319,992
Exchange adjustments	92,159	1,010	–	185	788	94,142
At 31 December 2020	1,825,951	32,000	299,221	3,059	24,078	2,184,309
Repayment of bank loans	–	(32,000)	–	–	–	(32,000)
Proceeds from new borrowings	229,349	–	–	–	–	229,349
Repayment of borrowings	(564,436)	–	–	–	–	(564,436)
Proceeds from the issue of unsecured bonds	–	–	2,000	–	–	2,000
Redemption of unsecured bonds	–	–	(53,390)	–	–	(53,390)
Repayment to an associate	–	–	–	(6)	–	(6)
Capital element of lease rental paid	–	–	–	–	(11,151)	(11,151)
Interest element of lease rental paid	–	–	–	–	(869)	(869)
Other interest paid	(178,076)	(1,305)	(18,136)	–	–	(197,517)
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	5,164	5,164
Early termination of lease contracts	–	–	–	–	(4,891)	(4,891)
Increase in lease liability from lease modification	–	–	–	–	1,730	1,730
Interest expenses	178,262	1,305	24,371	–	869	204,807
Exchange adjustment	38,921	–	–	90	345	39,356
At 31 December 2021	1,529,971	–	254,066	3,143	15,275	1,802,455

27. Cash and Cash Equivalents *(Continued)*

b) *Total cash outflows for leases*

Amounts included in the cash flow statement for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	532	1,499
Within financing cash flows	12,020	18,074
	12,552	19,573

28. Borrowings and Loan Payables

	Note	2021 HK$'000	2020 HK$'000
Borrowings from employees and independent third parties	28(a)	56,854	80,541
Borrowings from a shareholder		3,510	4,051
Borrowings from related parties	28(b)	31,392	22,279
Loan payables arising from the Incidents	4	1,229,990	1,464,876
Note payables	28(c)	208,225	246,582
Payable to interest holders of consolidated structured entity – the Fund	28(d)	–	7,622
		1,529,971	1,825,951
Amounts due within one year		1,391,451	1,619,401
Amounts due after one year		138,520	206,550
		1,529,971	1,825,951

28. Borrowings and Loan Payables *(Continued)*

a) The borrowings from employees and independent third parties bore a finance cost measured at a range of annualised rates of 6.5% to 8.5% (2020: 6% to 10.5%), were repayable within one year and not secured by any assets or guarantees.

b) During the years ended 31 December 2021 and 2020, the Group borrowed funds from Geston Limited, a company that is controlled by Mr. Cheung Siu Lam ("Mr. Cheung"), a former non-executive director up to 31 August 2020 and father of Dr. Cheung Chai Hong, executive director of the Company. The borrowings bore finance costs measured at annualised rates ranged from 6% to 9% (2020: 6%) and were repayable within one year and not secured by any assets or guarantees.

During the year ended 31 December 2021, the Group borrowed funds from Mr. Zhang. The borrowing bore a finance cost measured at a range of annualised rates of 7.5% to 7.6% and were repayable within one year and not secured by any assets or guarantees.

c) In February 2018, the Company issued note with principal amount of HK$270,000,000. The note bears an interest rate of 8% per annum and is secured by equity interest of Brilliant Star Capital (Cayman) Limited, a wholly-owned subsidiary of the Company, personal guarantee given by Mr. Cheung and Ms. Lo Wan ("Ms. Lo"), a shareholder of the Company and mother of Dr. Cheung Chai Hong, executive director of the Company, and Mr. Cheung and Ms. Lo deposited 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note is repayable in May 2024.

d) The amount represents third party interests in a consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be redeemed for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated structured entity that are subject to the actions of third-party unit holders.

e) As at 31 December 2021, the aggregate amount of outstanding financial guarantees of the Company under certain financial products issued by third parties amounts to RMB99,700,000 (equivalent to approximately HK$121,942,000) (2020: RMB99,700,000 (equivalent to approximately HK$118,459,000)) (Note 4) if the guarantees were called upon in entirety. Details of the loss allowance for financial guarantee contracts are set out in Note 45(a).

29. Bank Loans

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year or on demand	–	32,000

At the end of the reporting period, the bank loans were secured as follows:

	2021 HK$'000	2020 HK$'000
Bank loans secured by:		
– the Group's bank deposits	–	10,000
– a related company's property	–	22,000
	–	32,000

The ranges of effective interest rates on the Group's bank loans are as follows:

	2020 %
Effective interest rates:	
Bank loans	2.93% per annum

All bank loans were fully repaid during the year.

30. Security Deposits Received

Security deposits received refer to deposits received from customers as collateral for loan facilities granted by the Group. These deposits, which are denominated in RMB and HK$, are interest-free, and will be returned to customers after the relevant loan facilities expire.

31. Consideration Payables

	2021 HK$'000	2020 HK$'000
Non-current		
Consideration payable for acquisition of Shenzhen Credit Gain	–	40,092
Consideration payable for acquisition of Chongqing Credit Gain	–	56,420
	–	96,512
Current		
Consideration payable for acquisition of Shenzhen Credit Gain	39,741	40,405
Consideration payable for acquisition of Chongqing Credit Gain	57,688	57,941
	97,429	98,346
	97,429	194,858

The amounts shall be payable in cash in three equal installments on each anniversary of the completion date of the acquisition since the year 2019 at an interest rate of prime rate minus 1.75%.

32. Other Payables, Accruals and Deposits Received

	2021 HK$'000	2020 HK$'000
Other payables	87,661	54,945
Accrued salaries and other benefits	3,409	2,377
Other accrued expenses	12,945	14,045
Deposits received	–	5,482
Dividend payable	739	739
Other tax payables	4,550	4,153
	109,304	81,741

As at 31 December 2021, all of the other payables, accruals and deposit received are expected to be settled within one year or are repayable on demand.

33. Amounts Due from/(to) Associates and Joint Ventures

The maximum outstanding balances of amount due from associates during the year ended 31 December 2021 was HK$67,137,000 (2020: HK$54,455,000).

The maximum outstanding balances of amounts due from joint ventures during the year ended 31 December 2021 was HK$923,000 (2020: HK$630,000).

The maximum outstanding balance of amount due to an associate during the year ended 31 December 2021 was HK$3,143,000 (2020: HK$3,059,000).

The amounts are unsecured, interest free and repayable on demand.

34. Deferred Taxation

a) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

Deferred tax arising from:	ECL on loan receivables	Tax losses	Withholding tax	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	(19,384)	(13,359)	35,137	2,394
Charged to profit or loss (Note 10 (a))	19,497	5,394	648	25,539
Exchange adjustment	(113)	(557)	1,680	1,010
At 31 December 2020 and 1 January 2021	–	(8,522)	37,465	28,943
Charged to profit or loss (Note 10 (a))	–	1,870	544	2,414
Exchange adjustment	–	(222)	981	759
At 31 December 2021	–	(6,874)	38,990	32,116

b) Deferred tax assets not recognised

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has not recognised deferred tax assets in respect of the cumulative tax losses of HK$289,946,000 (2020: HK$284,513,000) for its Hong Kong and the PRC incorporated subsidiaries due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

34. Deferred Taxation *(Continued)*

c) *Deferred tax liabilities not recognised*

At 31 December 2021, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was HK$759,274,000 (2020: HK$743,323,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

35. Unsecured Bonds

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost.

	Coupon rate per annum	2021 HK$'000	2020 HK$'000
Current liabilities			
Unsecured bonds of HK$27,390,000 due 2021 (issued in 2019)	2.00%	–	26,508
Unsecured bonds of HK$4,000,000 due 2021 (issued in 2019)	8.00%	–	4,054
Unsecured bonds of HK$3,000,000 due 2021 (issued in 2020)	13.39%	–	3,000
Unsecured bonds of HK$6,000,000 due 2021 (issued in 2020)	9.60%	–	6,000
Unsecured bonds of HK$220,000,000 due 2022 (issued in 2015)	7.00%	196,772	–
Unsecured bonds of HK$10,000,000 due 2022 (issued in 2016)	5.00%	9,726	–
Unsecured bonds of HK$11,413,000 due 2022 (issued in 2017)	2.00%	11,413	11,207
Unsecured bonds of HK$1,170,000 due 2022 (issued in 2019)	5.00%	1,193	1,180
Unsecured bonds of HK$390,000 due 2022 (issued in 2020)	5.00%	385	380
		219,489	52,329

35. Unsecured Bonds *(Continued)*

	Coupon rate per annum	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Unsecured bonds of HK$220,000,000 due 2022 (issued in 2015)	7.00%	–	203,296
Unsecured bonds of HK$10,000,000 due 2022 (issued in 2016)	5.00%	–	9,547
Unsecured bonds of HK$10,000,000 due 2024 (issued in 2016)	6.00%	9,477	9,326
Unsecured bonds of HK$14,145,800 due 2024 (issued in 2018)	5.00%	13,297	12,998
Unsecured bonds of HK$2,000,000 due 2024 (issued in 2020)	3.00%	1,804	1,725
Unsecured bonds of HK$10,000,000 due 2025 (issued in 2018)	4.50%	9,999	10,000
		34,577	246,892
		254,066	299,221

36. Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2021		2020	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	9,555	10,106	14,327	15,216
After 1 year but within 2 years	4,167	4,330	6,934	7,260
After 2 years but within 5 years	1,553	1,574	2,817	2,863
	15,275	16,010	24,078	25,339
Less: total future interest expenses		(735)		(1,261)
Present value of lease liabilities		15,275		24,078

37. Share Capital

a) Issued share capital

	Note	No. of shares	HK$'000
Ordinary shares, issued and fully paid:			
At 1 January 2020		4,256,089,347	2,080,113
Shares repurchased in December 2019 and cancelled in February 2020	37(b)	(7,672,000)	–
Shares repurchased and cancelled	37(b)	(62,696,000)	–
At 31 December 2020 and 1 January 2021		4,185,721,347	2,080,113
Shares consolidation		(3,976,435,280)	–
At 31 December 2021		209,286,067	2,080,113

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary Shares rank equally with regard to the Company's residual assets.

Share consolidation

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

37. Share Capital *(Continued)*

b) *Repurchase of own shares*

During the year ended 31 December 2020, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	HK$'000
Shares repurchased and cancelled				
January 2020	3,762,000	0.4200	0.3900	1,506
March 2020	48,000	0.2800	0.2800	13
April 2020	544,000	0.3300	0.2800	163
May 2020	25,802,000	0.2020	0.1600	4,482
June 2020	17,018,000	0.1600	0.1420	2,620
July 2020	10,276,000	0.1750	0.1520	1,643
Sep 2020	5,246,000	0.1540	0.1490	795

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK$11,222,000 was paid wholly out of retained earnings.

The Company cancelled all the repurchased shares during the year ended 31 December 2020.

38. Reserves

a) *Movements in components of equity*

The reconciliation of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share-based compensation reserve HK$'000	Shares held under the share award scheme HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2020 (Restated)	40,216	(49,365)	160,747	151,598
Loss and total comprehensive expense for the year	–	–	(1,302,141)	(1,302,141)
Purchase of shares under share award scheme	–	(7,296)	–	(7,296)
Repurchase and cancelled of own shares	–	–	(14,674)	(14,674)
Lapse of share options	(10,541)	–	10,541	–
At 31 December 2020 and 1 January 2021	29,675	(56,661)	(1,145,527)	(1,172,513)
Loss and total comprehensive expense for the year	–	–	(251,912)	(251,912)
At 31 December 2021	29,675	(56,661)	(1,397,439)	(1,424,425)

38. Reserves *(Continued)*

b) *Dividends*

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of each reporting period.

c) *Nature and purpose of reserves*

(i) Share-based compensation reserve

The share-based compensation reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policies adopted for share-based payments.

(ii) Share held under the share award scheme

The reserve is dealt with in accordance with the Group's accounting policies relevant to share award scheme.

(iii) Exchange reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of which functional currency is not HK$.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at FVTOCI (recycling) held at the end of the reporting period and is dealt with in accordance with the Group's accounting policies relevant to financial assets.

(v) Statutory surplus reserve

According to the Company's PRC subsidiaries' articles of association, each PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to offset previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

39. Employee Retirement Benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

40. Share Options

Equity-settled share option schemes

The share option scheme adopted by the Company on 7 June 2004 (the "2004 Share Option Scheme") was terminated on 6 June 2014, and the Company adopted a new share option scheme on 20 May 2014 (the "2014 Share Option Scheme", together with the 2004 Share Option Scheme are referred to as the "Schemes") at the Company's annual general meeting held on 20 May 2014. No further options shall be offered under the 2004 Share Option Scheme, but in all other respects the provisions of the 2004 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2014 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

According to the terms of the Schemes, the directors of the Company are authorised, at their discretion, to invite employees or any person who has contributions to the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The options are exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

40. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

a) *The terms and conditions of the grants are as follows:*

Category of grantee	Number of instruments '000	Exercise price per share HK$	Date of grant	Exercisable period	Contractual life of option
Directors and ex-directors	10,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
	6,660	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	6,660	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	6,680	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
Employees	26,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
Consultants	9,990	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	9,990	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	10,020	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
	18,315	0.546	26 August 2015	26 August 2016 to 25 August 2025	10 years
	18,315	0.546	26 August 2015	26 August 2017 to 25 August 2025	10 years
	18,370	0.546	26 August 2015	26 August 2018 to 25 August 2025	10 years
Total share options granted	141,000				

40. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

b) *The number and weighted average exercise prices of share options are as follows:*

Option type	Outstanding at 1/1/2020 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2020 '000
2010	6,000	–	–	–	(6,000)	–
2014	50,000	–	–	(20,000)	–	30,000
2015	55,000	–	–	–	–	55,000
	111,000	–	–	(20,000)	(6,000)	85,000
Exercisable at the end of the year						85,000
Weighted average exercise price	HK$0.587	–	–	HK$0.66	HK$0.359	HK$0.586

Option type	Outstanding at 1/1/2021 '000	Consolidated during the year '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2021 '000
2014	30,000	(28,500)	–	–	–	–	1,500
2015	55,000	(52,250)	–	–	–	–	2,750
	85,000	(80,750)	–	–	–	–	4,250
Exercisable at the end of the year							4,250
Weighted average exercise price	HK$0.586	N/A	–	–	–	–	HK$11.725

The options outstanding at 31 December 2021 had an exercise price of HK$13.20 or HK$10.92 (2020: HK$0.66 or HK$0.546) and a weighted average remaining contractual life of 3.17 years (2020: 4.17 years).

41. Share Award Scheme

The directors of the Company adopted a share award scheme (the "Scheme") to recognise the contribution by employee(s), director(s) or advisor(s) of any member of the Group (the "Grantees") and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The movements of share held under the share award scheme recognised in equity are as follows:

	No. of shares	HK$'000
At 1 January 2020	89,754,000	49,365
Purchased during the year	49,500,000	7,296
At 31 December 2020 and 1 January 2021	139,254,000	56,661
Shares consolidation	(132,291,300)	–
At 31 December 2021	6,962,700	56,661

During the year ended 31 December 2020, the trustee acquired 49,500,000 ordinary shares of the Company for the Scheme through purchases in the open market, at a total cost, including related transaction costs, of HK$7,296,000.

During the year ended 31 December 2021, there are no acquisition of shares of the Company for the Scheme through purchase, in open market by the trustee.

Up to the date of approving the Group's consolidated financial statements for the year ended 31 December 2021, no award shares are granted to selected Grantees.

42. Capital Commitments

As disclosed in Note 18 to the consolidated financial statements, the Group has an obligation to settle an amount of US$2,000,000 (equivalent to approximately HK$15,600,000) as its capital contribution to 中匯豐源, an associate of the Group.

43. Equity Transaction with Non-Controlling Interest

During the year ended 31 December 2020, the Group has the following equity transactions with non-controlling interests of subsidiaries that do not result in a loss of control. No such transaction noted during the year ended 31 December 2021.

Acquisition of additional interest in a subsidiary

During the year ended 31 December 2020, the Group acquired an additional 30% equity interest of 中金恒豐 from the non-controlling shareholder at cash consideration of RMB600,000 (equivalent approximately HK$657,000). This resulted in an increase in the Group's equity interest in 中金恒豐 from 70% to 100%. Difference of HK$45,747,000 between the carrying amounts of the interest acquired of HK$38,390,000, the exchange fluctuation reserve attributable to non-controlling shareholder of HK$8,014,000 and the consideration paid for the acquisition of additional interest of HK$657,000 was recognised in accumulated losses.

44. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties during the year:

a) Remuneration of key management personnel of the Group

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 11, is as follows:

	2021 **HK$'000**	2020 HK$'000
Short-term employee benefits	**12,288**	18,145
Post-employment benefits	**295**	417
	12,583	18,562

Total remuneration is included in "staff costs" (see Note 9(a)).

44. Material Related Party Transactions *(Continued)*

b) *Financing arrangements*

In addition to the financing arrangements with related parties disclosed elsewhere in the consolidated financial statements, the details of the borrowings from shareholders included in borrowings and loan payables are as follows:

Name	Notes	2021 HK$'000	2020 HK$'000
Short-term borrowings			
Ms. Cheung Siu Hung	(2)	**3,510**	4,051
Other payables			
Ms. Lo	(1)	**–**	6,000
		3,510	10,051

Notes:

(1) The amount is unsecured, interest-free and repayable on demand.

(2) The loan from Ms. Cheung Siu Hung, a shareholder of the Company and aunt of Dr. Cheung Chai Hong, executive director of the Company, is unsecured, bears interest at 7% (2020: 7%) per annum and is repayable on demand.

The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms and in the ordinary course of business.

44. Material Related Party Transactions *(Continued)*

c) *Transactions with related parties*

(i) The details of consultancy fee paid by the Group are as follows:

Name	Note	**2021** **HK$'000**	2020 HK$'000
北京天福號食品有限公司	(1)	**–**	2,708
Oyster Pie Solutions Limited		**776**	–
		776	2,708

Notes:

(1) Mr. Cheung is the director of this entity.

(ii) The details of rental paid by the Group are as follows:

(1) For the year ended 31 December 2021, the Group paid office rental of approximately HK$1,492,000 and HK$2,485,000 to 北京元長厚茶葉有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, of which Ms. Lo is the legal representative since 5 January 2021.

(2) During the year ended 31 December 2021, the Group paid rent in respect of former director's quarter of approximately HK$1,800,000 (2020: HK$1,800,000) to Anton (H.K.) Limited, in which Mr. Cheung and Ms. Lo have controlling interests. Such amount was included in the total amount disclosed in Note 9(a) for staff costs. In addition, as at 31 December 2021, rental deposit of HK$300,000 (2020: HK$300,000), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

44. Material Related Party Transactions *(Continued)*

c) *Transactions with related parties (Continued)*

(iii) The Group received other consultancy income from 珠海鑫達路投資企業（有限合伙人）, in which Madam Guan Xue Ling, a former executive director up to 16 October 2020 of the Company, is the shareholder of the entity for the amount of HK$14,967,000 in the year ended 31 December 2020. No such income noted for the year ended 31 December 2021.

(iv) The details of transfer of loan receivables to an associate of the Company are as follows:

For the year ended 31 December 2020, the Group transferred loan receivables of RMB379,750,000 (equivalent to HK$451,202,000) to 達隆恆業 at cash-consideration RMB380,950,000 (equivalent to approximately HK$452,628,000).

(v) The details of interest and handling expenses paid by the Group are as follows:

Name	Notes	2021 HK$'000	2020 HK$'000
Ms. Lo		**1,006**	1,756
Geston Limited	(1)	**3,379**	5,231
Ms. Cheung Siu Hung	(2)	**279**	280
Mr. Zhang		**38**	–
		4,702	7,267

Notes:

(1) Geston Limited is a company that is controlled by Mr. Cheung.

(2) Ms. Cheung Siu Hung is a shareholder of the Company and aunt of Dr. Cheung Chai Hong, executive director of the Company.

45. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include loan receivables, account receivables, interest receivables, other receivables and deposits, amounts due from associates and joint ventures, pledged bank and security deposits paid, cash and cash equivalents, other financial assets, borrowings and loan payables, bank loans, security deposits received, consideration payables, other payables and deposit received, amount due to an associate, unsecured bonds, liabilities arising from loan guarantee contracts and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to the loan business of the Group, (i.e. loan receivables and interest receivables), financial guarantee provided by the Groups, account receivables, other receivables, pledged bank and security deposits paid, time deposits, cash at banks and other financial assets.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business*

The Group has taken measures to identify credit risks arising from loan business. The Group manages credit risk at every stage of its risk management system, including pre-approval, review and credit approval, and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction is subject to review and approval of credit approval officer and the executive directors depending on the transaction size.

During the post-transaction monitoring process, the Group performs credit evaluations on each customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Most of loans granted are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group also focuses on ascertaining legal ownership and the valuation of the collateral. A loan granted is based on the value of the collateral and generally approximates 1%-100% for the year (2020: 1%-100%) of the estimated value of the collateral. The Group closely monitors the ownership and the value of the collateral throughout the loan period. As at 31 December 2020, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the secured loan receivables. The loan receivables are due by the date as specified in the corresponding loan agreements.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2.21% (2020: 3.00%) and 8.32% (2020: 10.08%) of the total loan receivables was due from the Group's largest debtor and the five largest debtors respectively.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) Credit risk arising from loan business (Continued)

The Group applies ECL model to measure impairment losses of the loans and advances to customers.

The Group adopts a loan risk classification approach to manage its loans and advances to customers portfolio risk. Loans and advances to customers are categorised into the following stages by the Group:

Stage 1
Loans and advances to customers have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12m ECLs (12m ECLs-not credit-impaired).

Stage 2
Loans and advances to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECLs (Lifetime ECLs-not credit-impaired).

Stage 3
Loans and advances to customers that are in default and considered credit impaired (Lifetime ECLs-credit-impaired).

Parameters of ECL model
According to whether there is a significant increase in credit risk, the Group measures the impairment loss on loan receivables and interest receivables with ECL of 12 months or lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets.

Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit and loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are transferred from Stage 3 or Stage 2 to Stage 1. At 31 December 2021, the carrying amount of financial assets with such modified contractual cash flows was not significant.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from loan receivables and interest receivables are set out in Notes 22 and 24 respectively.

(ii) *Credit risk arising from financial guarantee*

The management performed impairment assessment on the financial guarantees contracts and will recognise the cost of financial guarantee when there is significant increase in credit risk compare to the initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for these financial guarantee contracts issued by the Group is measured at an amount equal to lifetime ECL. The maximum exposure to credit risk in respect of these financial guarantees contracts will be recognised under "liabilities arising from loan guarantee contracts" during the year. No loss allowance was recognised in the profit or loss during the year ended 31 December 2021 (2020: Nil). Details of the financial guarantee contracts are set out in Note 28(e).

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(iii) *Other credit risks*

In respect of account receivables and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtor operates. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from account receivables is set out in Note 23.

The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. Given their high credit standing, management does not expect any investment counterparty to fail to meet it obligations.

The credit risk on cash at banks, time deposits, and pledged bank and security deposits paid is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

b) *Liquidity risk*

Individual operating entities within the Group are responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the Company's board approval when the borrowings exceed certain predetermined level of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk (Continued)*

As at 31 December 2021

	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Borrowings and loan payables	1,529,971	–	–	–	1,529,971	1,529,971
Unsecured bonds	260,997	1,817	38,413	–	301,227	254,066
Security deposits received	3,075	–	–	–	3,075	3,075
Amount due to an associate	3,143	–	–	–	3,143	3,143
Lease liabilities	10,106	4,330	1,574	–	16,010	15,275
Other payables and accruals	104,754	–	–	–	104,754	104,754
Consideration payables	100,647	–	–	–	100,647	97,429
Liabilities arising from loan guarantee contracts	121,942	–	–	–	121,942	121,942
	2,134,635	6,147	39,987	–	2,180,769	2,129,655

As at 31 December 2020

	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Bank loans						
– variable rates	33,305	–	–	–	33,305	32,000
Borrowings and loan payables	1,619,401	69,706	162,380	–	1,851,487	1,825,951
Unsecured bonds	73,233	247,717	36,413	2,060	359,423	299,221
Security deposits received	9,588	–	–	–	9,588	9,588
Amount due to an associate	3,059	–	–	–	3,059	3,059
Lease liabilities	15,216	7,260	2,863	–	25,339	24,078
Other payables and accruals	72,106	–	–	–	72,106	72,106
Consideration payables	101,841	100,657	–	–	202,498	194,858
Liabilities arising from loan guarantee contracts	118,459	–	–	–	118,459	118,459
	2,046,208	425,340	201,656	2,060	2,675,264	2,579,320

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) Liquidity risk (Continued)

Following table summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Bank loans subject to a repayment on demand clause based on scheduled repayment dates

	Within 1 year	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total undiscounted cash outflows**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021	–	–	–	–
At 31 December 2020	33,305	–	–	33,305

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk*

The Group is principally engaged in the provision of financing services. Its interest rate risk arises primarily from deposits with banks and other financial institutions, loan receivables, bank loans, interest-bearing borrowings, senior bonds, listed debt securities and unsecured bonds.

Financial instruments with variable interest rates expose the Group to cash flow interest rate risk. The Group is exposed to fair value interest rate risk in relation to financial instruments with fixed interest rates.

The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's assets and liabilities at the end of the reporting period:

	At 31 December	
	2021	2020
	HK$'000	HK$'000
Fixed interest rate		
Financial assets		
Loan receivables	**2,138,435**	2,602,822
Other financial assets, debt securities	**14,198**	–
	2,152,633	2,602,822

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(i) *Interest rate profile (Continued)*

	At 31 December 2021 HK$'000	2020 HK$'000
Financial liabilities		
Borrowings from employees and independent third parties	**(56,854)**	(80,541)
Borrowings from a shareholder	**(3,510)**	(4,051)
Borrowings from related parties	**(31,392)**	(22,279)
Loan payables arising from the Incidents	**(1,229,990)**	(1,464,876)
Unsecured Bonds	**(254,066)**	(299,221)
Note payables	**(208,225)**	(246,582)
Lease liabilities	**(15,275)**	(24,078)
	(1,799,312)	(2,141,628)
Net fixed-rate financial instruments	**353,321**	461,194
Variable interest rate		
Financial assets		
– Cash at bank	**571,668**	595,495
– Pledged bank and security deposits	**–**	10,205
	571,668	605,700
Financial liabilities		
– Bank loans	**–**	(32,000)
– Consideration payables	**(97,429)**	(194,858)
	(97,429)	(226,858)
Net variable-rate financial instruments	**474,239**	378,842

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(ii) *Sensitivity analysis*

At 31 December 2021 it is estimated that a general increase/decrease of 100 basis points (2020: 100 basis points) in interest rates for variable-rate financial instruments, with all other variables held constant, would decrease/increase the Group's loss after tax by approximately HK$814,000 (2020: HK$1,894,000). Cash at banks and pledged bank and security deposits are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points for the year (2020: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

d) *Equity price risk*

The Group is exposed to equity price risk arising from listed equity investments and unlisted investment fund classified as other financial assets (see Note 20). Other than unquoted investments held for strategic purposes, all of these investments are listed.

The Group's listed equity investments are listed on recognised stock exchanges. Listed equity investments held in the portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared the relevant industry indicators, as well as the Group's liquidity needs.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

d) *Equity price risk (Continued)*

At 31 December 2021 it is estimated that an increase/decrease of 10% (2020: 10%) in the relevant stock market index (for listed equity investments) and fair value of unlisted investment, with all other variables held constant, would have (decreased)/increased the Group's loss after tax (and increased/decreased the Group's retained earnings/accumulated losses) and other components of consolidated equity as follows:

		2021 Effect on loss after tax and accumulated losses HK$'000	2021 Effect on other components of equity HK$'000		2020 Effect on loss after tax and accumulated losses HK$'000	2020 Effect on other components of equity HK$'000
Change in the relevant equity price risk variable:						
Increase	10%	(1,488)	–	10%	(2,313)	–
Decrease	10%	1,488	–	10%	2,313	–

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in the stock market index or fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is assumed that the fair values of the Group's listed investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's listed investments would be considered impaired as a result of the decrease in the relevant stock market index, and that all other variables remain constant. It is also assumed that the fair values of the Group's unlisted investment would change in accordance with the market value, that none of the Group's unlisted investments would be considered impaired as a result of the decrease in market value, and that all other variables remain constant. The analysis is performed on the same basis for 2020.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Fair value measurement*

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable input

For financial instruments traded in inactive markets, their fair value measurements are based on net assets values provided by the relevant investment fund manager.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

The Group engages independent professional valuers performing valuations for its financial instruments, including the financial assets which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting dates, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting dates.

		Fair value measurements as at 31 December 2021 categorised into		
	Fair value at 31 December 2021 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Assets:				
Other financial assets				
– Equity securities, listed	**1,653**	**1,653**	**–**	**–**
– Investment funds, unlisted	**13,223**	**–**	**–**	**13,223**
– Unlisted equity linked fixed coupon notes	**14,198**	**–**	**14,198**	**–**
Contingent consideration receivables	**7,115**	**–**	**–**	**7,115**

		Fair value measurements as at 31 December 2020 categorised into		
	Fair value at 31 December 2020 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Assets:				
Other financial assets				
– Equity securities, listed	1,870	1,870	–	–
– Investment funds, unlisted	21,264	–	–	21,264
Contingent consideration receivables	10,216	–	–	10,216

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of debt securities in Level 2 is determined by using quoted prices from financial institutions.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Investment funds, unlisted	Net asset value	N/A
Contingent consideration receivables	Monte Carlo Simulations	Expected volatility: 82.83% (2020: 60.43% to 62.36%)

As at 31 December 2021, no sensitivity analysis is performed on contingent consideration receivables as the impact is not significant to the Group's profit.

45. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

The movements during the year in the balances of these Level 3 fair value measurements are as follows:

Contingent consideration receivables:	2021 HK$'000	2020 HK$'000
At 1 January	**10,216**	10,682
Fair value change recognised in profit or loss	**(3,101)**	4,724
Transfer to other receivables	**–**	(5,190)
At 31 December	**7,115**	10,216
Total (loss)/gain for the year included in profit or loss for assets held at the end of the reporting period	**(3,101)**	4,724

Investment fund in the PRC, unlisted:	2021 HK$'000	2020 HK$'000
At 1 January	**21,264**	24,461
Fair value change recognised in profit and loss	**(8,537)**	(4,518)
Exchange differences	**496**	1,321
At 31 December	**13,223**	21,264
Total loss for the year included in profit or loss for assets held at the end of the reporting period	**(8,537)**	(4,518)

(ii) *Fair value of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2021.

46. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt, which includes the borrowings and loan payables, bank loans, security deposits received, consideration payables, amount due to an associate, unsecured bonds and lease liabilities disclosed in respective notes, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and other reserves.

Qian Long Assets Management Company Limited ("QLAM"), a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). The Group monitors the financial position of QLAM in order to ensure that QLAM maintains a liquid capital level adequate to support the level of activities and meet the capital requirements imposed by SFC. On 30 June 2022, QLAM ceased to carry on all of the regulated activities for which it is licensed and became a dormant Company, QLAM is no longer subject to aforesaid requirements since then. Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

47. Company-level Statement of Financial Position

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		5,850	10,827
Investments in subsidiaries		722,901	1,014,287
Investment in an associate		3,900	3,900
Deposit		35,000	35,000
		767,651	1,064,014
Current assets			
Amounts due from subsidiaries		1,011,318	1,155,024
Dividend receivables from subsidiaries		813,310	809,042
Other receivables, deposits and prepayments		2,533	3,264
Amount due from an associate		19	6
Amounts due from joint ventures		2	–
Pledged bank and security deposits		–	10,130
Cash and cash equivalents		167,938	5,227
		1,995,120	1,982,693
Current liabilities			
Borrowings and loan payables		109,583	80,102
Consideration payables		97,429	98,346
Bank loans		–	10,000
Unsecured bonds		219,489	43,329
Liabilities arising from loan guarantee contracts		578,402	578,402
Accruals and other deposit received		8,500	7,049
Amounts due to subsidiaries		915,886	753,333
Lease liabilities		3,475	4,000
		1,932,764	1,574,561
Net current assets		62,356	408,132
Total assets less current liabilities		830,007	1,472,146
Non-current liabilities			
Unsecured bonds		34,577	256,787
Lease liabilities		1,222	4,697
Consideration payables		–	96,512
Borrowings and other payables		138,520	206,550
		174,319	564,546
NET ASSETS		655,688	907,600
EQUITY			
Share capital	37	2,080,113	2,080,113
Reserves	38	(1,424,425)	(1,172,513)
TOTAL EQUITY		655,688	907,600

Approved and authorised for issue by the board of directors on 2 December 2022 and were signed on its behalf by:

Chan Yuk Ming	**Cheung Chai Hong**
Director	*Director*

48. Events After the Reporting Period

The followings are the material subsequent events after the year ended 31 December 2021 and has not been disclosed in elsewhere in the 2021 annual report.

On 25 April 2022, an ordinary resolution proposed at the Annual General Meeting in relation to the approval of the appointment of Baker Tilly Hong Kong Limited as the auditors of the Company following the retirement of Crowe (HK) CPA Limited with effect from the conclusion of the Annual General Meeting and until the conclusion of the next annual general meeting of the Company.

FINANCIAL SUMMARY

For the year ended 31 December 2021

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Results					
Interest, guarantee and financing consultancy services income	**304,593**	713,939	951,290	986,238	815,704
(Loss)/profit for the year	**(246,130)**	(1,357,368)	(426,477)	70,128	(163,002)
Attributable to:					
Owners of the Company	**(250,065)**	(1,216,632)	(661,021)	101,595	(221,703)
Non-controlling interest	**3,935**	(140,736)	234,544	(31,467)	58,701
	(246,130)	(1,357,368)	(426,477)	70,128	(163,002)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Assets and liabilities					
Total assets	**3,368,677**	4,048,318	6,283,559	6,209,062	6,406,950
Total liabilities	**(2,356,208)**	(2,819,126)	(3,755,598)	(3,003,863)	(2,998,360)
Non-controlling interests	**(88,652)**	(85,483)	(283,713)	(160,886)	(222,182)
Balance of total equity attributable to equity shareholders of the Company	**923,817**	1,143,709	2,244,248	3,044,313	3,186,408