



中國投資基金有限公司

CHINA INVESTMENT FUND COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612



Index

2022

ANNUAL REPORT

CONTENTS

2	Corporate Information
3	Management Discussion and Analysis
9	Biographical Details of Directors
11	Report of the Directors
18	Corporate Governance Report
27	Independent Auditor's Report
31	Consolidated Statement of Profit or Loss
32	Consolidated Statement of Profit or Loss and Other Comprehensive Income
33	Consolidated Statement of Financial Position
35	Consolidated Statement of Changes in Equity
36	Consolidated Statement of Cash Flows
38	Notes to the Consolidated Financial Statements
96	Five Years Financial Summary





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Hong Man, Hammond
(*Chief Executive Officer & Financial Controller*)
Mr. Zhang Xi (*Chief Investment Officer*)

Non-executive Directors

Mr. Wang Mengtao (*Vice-president of the Group*)
Mr. Leung Ka Fai
Mr. Liang Wenzhi

Independent Non-executive Directors

Ms. Jing Siyuan
Mr. Zhang Aimin
Mr. Zhang Qiang

COMPANY SECRETARY

Ms. Hong Lai Ping

AUDIT COMMITTEE

Ms. Jing Siyuan (*Chairman*)
Mr. Zhang Aimin
Mr. Zhang Qiang

REMUNERATION COMMITTEE

Mr. Zhang Aimin (*Chairman*)
Ms. Jing Siyuan
Mr. Zhang Xi

NOMINATION COMMITTEE

Ms. Jing Siyuan (*Chairman*)
Mr. Zhang Aimin
Mr. Luk Hong Man, Hammond

RISK MANAGEMENT COMMITTEE

Mr. Zhang Aimin (*Chairman*)
Ms. Jing Siyuan
Mr. Luk Hong Man, Hammond
Mr. Yang Ja Wah (non-Board member)

INVESTOR RELATIONS COMMITTEE

Mr. Zhang Qiang (*Chairman*)
Mr. Wang Mengtao
Mr. Leung Ka Fai
Mr. Liang Wenzhi

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Luk Hong Man, Hammond (*Chairman*)
Mr. Zhang Xi

CUSTODIAN

DBS Bank Ltd. Hong Kong Branch
18/F, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

Confucius International CPA Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance
Rooms 1501-08
15/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

LEGAL ADVISERS

Lau, Horton & Wise LLP
8/F, Nexxus Building
41 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6602-03, Level 66
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of
Hong Kong Limited)

WEBSITE

www.cifund.com.hk



MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Investment Fund Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022.

BUSINESS REVIEW

The Group is principally engaged in investment in listed and unlisted securities.

2022 began with the largest global surge in COVID-19 cases since the start of the pandemic, spurred by the spread of the Omicron variant. The resulting illness, however, was less severe and less deadly compared to those in 2020 and 2021. The war in Ukraine has been ongoing for more than one year and a peaceful resolution is still not foreseeable in the near future. Increasing fuel and food prices have caused higher inflation around the world. According to the IMF, global economic growth is expected to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. Given such difficult investment environment, the Directors have taken prudent strategies to manage our portfolio.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded a net loss of approximately HK\$331,187,000 (2021: a net profit of approximately HK\$165,130,000). The turnaround of the result with a loss for the year as compared to a profit in the previous year was primarily due to a net unrealised loss on financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$206,646,000 (2021: net unrealised gain on financial assets at FVTPL of approximately HK\$169,202,000) which was mainly attributable to the fair value loss on listed securities.

SECURITIES INVESTMENTS

The Board exercised caution while actively managing its investment portfolio in accordance with the Company’s investment objective and policy for the best interests of our shareholders.

Investment in listed securities

As at 31 December 2022, the Group held total listed securities classified under financial assets at FVTPL of approximately HK\$604,588,000 (2021: approximately HK\$773,179,000).

INVESTMENT PORTFOLIO

We divide our strategy into three categories, namely long-term holding investment, mid-term private equity and venture capital and short-term trading of securities and other financial instruments. Our investments during the year 2022 were diverse and covered the following sectors: property development and management, construction works and environmental protection, financial and investment in innovation and technology.

Significant Investments

As at 31 December 2022, the Group’s securities investments in an entity with a value which exceeds 5% of the Group’s total assets included securities investments in Hua Yin International Holdings Limited, New Concepts Holdings Limited and Tianma Bearing Group Co., Ltd.

Details of above investments are disclosed in note 18 to this report.

The Group has established risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. The management will closely monitor the Group’s investment portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

Particulars of investments in listed equity securities held by the Group as at 31 December 2022 and 2021 disclosed pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) are as follows:

Name of investee companies	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Accumulated unrealised gain (loss) recognised HK\$'000	Dividend received/receivable during the year HK\$'000	% of gross assets of the Group	% of net assets of the Group
At 31 December 2022									
<i>Listed equity securities in Hong Kong</i>									
Hong Kong Exchanges and Clearing Limited	Hong Kong	8,800	Less than 0.01%	2,993	2,967	(26)	-	0.24%	0.27%
Tencent Holdings Limited	Cayman Islands	8,800	Less than 0.01%	2,956	2,939	(17)	-	0.24%	0.27%
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	14.46%	79,192	422,010	342,818	-	34.66%	38.48%
New Concepts Holdings Limited	Cayman Islands	156,740,000	11.46%	42,998	72,100	29,102	-	5.92%	6.57%
Jiading International Group Holdings Limited (formerly known as Farnova Group Holdings Limited)	Bermuda	18,750,000	1.84%	3,000	3,169	169	-	0.26%	0.29%
Alibaba Group Holding Limited	Cayman Islands	25,000	Less than 0.01%	2,135	2,156	21	-	0.18%	0.20%
				133,274	505,341	372,067			
<i>Listed equity securities in the People's Republic of China ("PRC")</i>									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	928	468	(460)	-	0.04%	0.04%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	1.41%	71,188	98,779	27,591	-	8.11%	9.01%
				72,116	99,247	27,131			
				205,390	604,588	399,198			
At 31 December 2021									
<i>Listed equity securities in Hong Kong</i>									
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	15.40%	79,192	656,460	577,268	-	44.98%	51.60%
New Concepts Holdings Limited	Cayman Islands	27,116,000	2.85%	7,999	17,625	9,626	-	1.21%	1.39%
				87,191	674,085	586,894			
<i>Listed equity securities in the PRC</i>									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	1,007	837	(170)	-	0.06%	0.07%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	2.32%	77,250	98,257	21,007	-	6.73%	7.72%
				78,257	99,094	20,837			
				165,448	773,179	607,731			

A brief description of the business and financial information of the listed investee companies extracted from their latest published annual reports, interim reports and annual result announcements are set out in note 18 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY

(1) High Court Action HCA 796 of 2016

A Writ of Summons with an Indorsement of Claim was issued on 29 March 2016 in the High Court of Hong Kong in HCA 796 of 2016 by Yang Yan as plaintiff against the Company and its former subsidiary, Grand Dragon Investment Development Limited ("Grand Dragon") as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by the Company on behalf of Grand Dragon to the plaintiff pursuant to the written equity transfer agreement between Grand Dragon and the plaintiff in relation to the failure to commence due diligence of the target company which the plaintiff claims is a repudiatory breach of the said agreement. The defendants have counterclaimed against the plaintiff (which action has been consolidated with High Court Action 796 of 2016) for, inter alia, an order for the return of the deposit of HK\$10,000,000 to the defendants.

Upon the Plaintiff's repeated failures to appear at Court for the case management conferences and to comply with various procedural directions, the Plaintiff's claim was formally struck out and the Company applied to the Court on 15 August 2022 for judgment and costs against the Plaintiff. The Plaintiff subsequently applied to the Court after the deadline to restore her claim, the date of which application has not yet been fixed by the Plaintiff. Pending resolution of the Plaintiff's application, the Plaintiff's claim remains struck out until further order of the Court.

(2) High Court Action Miscellaneous Proceedings HCMP 1102 of 2019 and HCMP 719 of 2019

These two actions relate to the issuance of ten bond notes issued by the Company to an individual, namely, Huang Qingzhan ("Huang") for the aggregate principal value of HK\$10 million due for repayment on 30 April 2023 ("Bond Notes"). Interest is payable on the Bond Notes on a bi-annual basis commencing 31 March 2016. The issue to be determined in HCMP 719 of 2019 related to whether the suspension of the Company's shares on 8 March 2019 entitled Huang to early redemption of the Bond Notes. The Company maintained that such suspension was not a breach of the terms of the Bond Notes. The issue to be determined in HCMP 1102 of 2019 related to whether the interest payment paid by the Company on the due date of 31 March 2016 to an account provided by Huang was made in accordance with the terms and conditions of the Bond Notes. The Company maintains that the interest payment was duly paid on time.

On 19 March 2020, the Court delivered judgment in favour of the Company in HCMP 719 of 2019 and in favour of Huang in HCMP 1102 of 2019 with each party bearing its own costs.

The Company lodged an appeal on 7 May 2020 against the decision of the Court made on 19 March 2020 in relation to HCMP 1102 of 2019 under Civil Appeal No. 103 of 2020 (the "Appeal"). The Appeal was heard by the Court of Appeal on 16 December 2022. On 1 March 2023, the Court of Appeal handed down its decision allowing the Company's Appeal and dismissing the previous Order granted in favour of Huang in HCMP 1102 of 2019 with costs of the Appeal and costs in the court below awarded to the Company. The Court of Appeal confirmed, inter alia, that the Company had complied with its interest payment obligations under the Bond Notes and Huang was not entitled to early redemption of the Bond Notes.



MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had bank balances and cash of approximately HK\$101,029,000 as at 31 December 2022 (2021: approximately HK\$111,881,000), representing approximately 8.3% (2021: approximately 7.7%) of the Group's total assets. As at 31 December 2022, the Group had long-term borrowings of unsecured interest-bearing bonds of approximately HK\$38,532,000 (2021: approximately HK\$49,775,000 including unsecured interest-bearing loan notes and unsecured interest-bearing bonds).

Apart from the long-term debts, the Group had short-term borrowings which are unsecured interest-bearing loan notes and unsecured interest-bearing bonds in an aggregate amount of approximately HK\$55,440,000 (2021: approximately HK\$118,316,000 including unsecured interest-bearing bonds).

The Group's gearing ratio, being the total borrowings divided by equity attributable to owners of the Company, was approximately 8.6% as at 31 December 2022 (2021: approximately 13.2%).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments in respect of property, plant and equipment which is contracted for but not provided for of approximately HK\$16,191,000 (2021: approximately HK\$17,724,000).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022, there were no charges on the Group's assets and the Group did not have any material contingent liabilities (2021: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions of the Group are denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB"). The management of the Group will closely monitor fluctuations in these currencies and take appropriate actions when needed. As at 31 December 2022, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. For the year ended 31 December 2022, the Group had major financial assets of approximately HK\$131,995,000 (2021: approximately HK\$174,390,000) which was denominated in RMB. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for disclosed in note 32 to the consolidated financial statements, there was no other material acquisition or disposal of subsidiaries by the Group during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). During the year, the movements in the Company’s share capital are as follow:

On 2 June 2022, 37,912,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 16 May 2022. Shares were issued at a placing price of HK\$3.05 per share, giving gross proceeds of approximately HK\$115,632,000. During the year, the Company fully utilised the gross proceeds of approximately HK\$115,632,000. The Company utilised HK\$29.3 million (or 25.3% of the gross proceeds) to invest in listed securities (namely, listed equity securities in JD.com, Inc. (HK\$10 million), Tencent Holdings Limited (HK\$11.5 million) and Hong Kong Exchanges and Clearing Limited (HK\$7.8 million). Moreover, the Company used HK\$86.3 million (or 74.70% of the gross proceeds) for general working capital purposes.

On 14 October 2022, 26,808,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 21 September 2022 at a placing price of HK\$3.50 per share, giving gross proceeds of HK\$93,828,000. Up to 31 December 2022, the Company utilised (a) HK\$40.1 million (or 42.80% of the gross proceeds) to invest in listed securities (namely, listed equity securities in New Concepts Holdings Limited (HK\$35.0 million), Jiading International Group Holdings Limited (HK\$3.0 million) and Alibaba Group Holding Limited (HK\$2.1 million). Also, the Company used HK\$39.2 million (or 41.80% of the gross proceeds) for general working capital purposes.

During the year ended 31 December 2022, 1,465,193 share options and 4,100,000 share options were exercised at the subscription price of HK\$0.729 per share and HK\$0.808 per share respectively, and a total of 5,565,193 ordinary shares were issued, giving gross proceeds of approximately HK\$4,381,000.

PROSPECTS

The annual rate of inflation fell from 7.1 percent to 6.5 percent in 2022. The United State (“U.S.”) Federal Reserve is expected to slow the pace of interest-rate hikes and probably bring them to a halt later this year. China’s scrapping of its stringent, years-long COVID-fighting measures will increase economic activity and citizens’ mobility, kickstarting growth in the second quarter of 2023. It is expected that China’s economy will expand 5% this year, while the U.S. and Europe face the prospect of recessions. Tensions between the U.S. and China over a number of issues, such as Taiwan, Korea Peninsula and South China Sea, are escalating dramatically in the past few months. Although a military conflict between the U.S. and China over those issue is unlikely in short term, it will be the main risk for Asia in the years ahead. Under such extremely uncertain environment, the Directors will take prudent strategies to manage our investment portfolio.

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS

During the year ended 31 December 2022, the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

EMPLOYEES

As at 31 December 2022, the Company had 35 (2021: 32) employees including executive Directors. The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.



MANAGEMENT DISCUSSION AND ANALYSIS

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

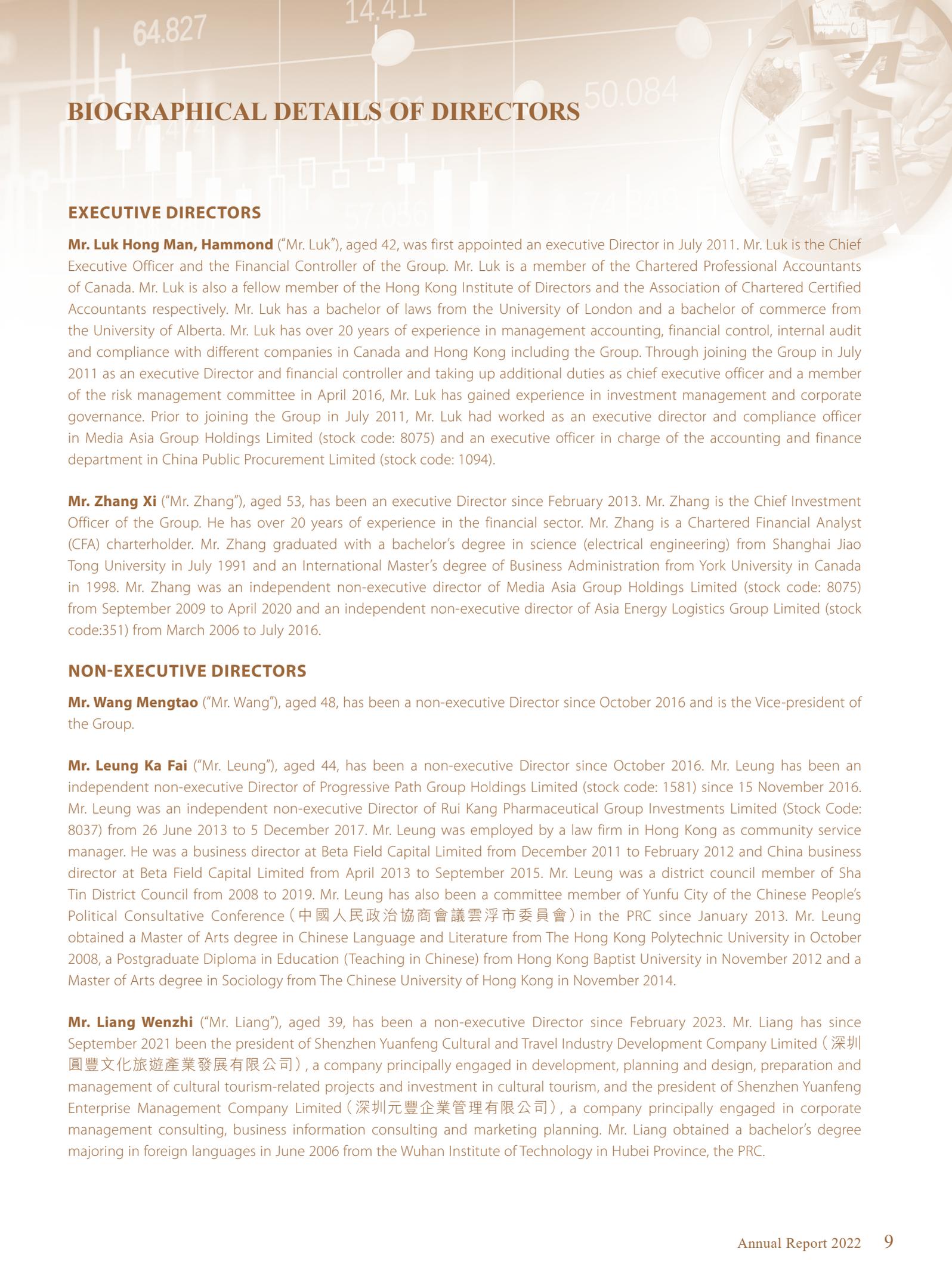
CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company complied with all the applicable provisions of the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Listing Rules, except for the deviation set out as below.

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 28 June 2022.

ANNUAL GENERAL MEETING

Details in relation to the upcoming Annual General Meeting, closure of register of members and other related matters will be made available in due course.



BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Luk Hong Man, Hammond (“Mr. Luk”), aged 42, was first appointed an executive Director in July 2011. Mr. Luk is the Chief Executive Officer and the Financial Controller of the Group. Mr. Luk is a member of the Chartered Professional Accountants of Canada. Mr. Luk is also a fellow member of the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants respectively. Mr. Luk has a bachelor of laws from the University of London and a bachelor of commerce from the University of Alberta. Mr. Luk has over 20 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong including the Group. Through joining the Group in July 2011 as an executive Director and financial controller and taking up additional duties as chief executive officer and a member of the risk management committee in April 2016, Mr. Luk has gained experience in investment management and corporate governance. Prior to joining the Group in July 2011, Mr. Luk had worked as an executive director and compliance officer in Media Asia Group Holdings Limited (stock code: 8075) and an executive officer in charge of the accounting and finance department in China Public Procurement Limited (stock code: 1094).

Mr. Zhang Xi (“Mr. Zhang”), aged 53, has been an executive Director since February 2013. Mr. Zhang is the Chief Investment Officer of the Group. He has over 20 years of experience in the financial sector. Mr. Zhang is a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a bachelor’s degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991 and an International Master’s degree of Business Administration from York University in Canada in 1998. Mr. Zhang was an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) from September 2009 to April 2020 and an independent non-executive director of Asia Energy Logistics Group Limited (stock code:351) from March 2006 to July 2016.

NON-EXECUTIVE DIRECTORS

Mr. Wang Mengtao (“Mr. Wang”), aged 48, has been a non-executive Director since October 2016 and is the Vice-president of the Group.

Mr. Leung Ka Fai (“Mr. Leung”), aged 44, has been a non-executive Director since October 2016. Mr. Leung has been an independent non-executive Director of Progressive Path Group Holdings Limited (stock code: 1581) since 15 November 2016. Mr. Leung was an independent non-executive Director of Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037) from 26 June 2013 to 5 December 2017. Mr. Leung was employed by a law firm in Hong Kong as community service manager. He was a business director at Beta Field Capital Limited from December 2011 to February 2012 and China business director at Beta Field Capital Limited from April 2013 to September 2015. Mr. Leung was a district council member of Sha Tin District Council from 2008 to 2019. Mr. Leung has also been a committee member of Yunfu City of the Chinese People’s Political Consultative Conference (中國人民政治協商會議雲浮市委員會) in the PRC since January 2013. Mr. Leung obtained a Master of Arts degree in Chinese Language and Literature from The Hong Kong Polytechnic University in October 2008, a Postgraduate Diploma in Education (Teaching in Chinese) from Hong Kong Baptist University in November 2012 and a Master of Arts degree in Sociology from The Chinese University of Hong Kong in November 2014.

Mr. Liang Wenzhi (“Mr. Liang”), aged 39, has been a non-executive Director since February 2023. Mr. Liang has since September 2021 been the president of Shenzhen Yuanfeng Cultural and Travel Industry Development Company Limited (深圳圓豐文化旅遊產業發展有限公司), a company principally engaged in development, planning and design, preparation and management of cultural tourism-related projects and investment in cultural tourism, and the president of Shenzhen Yuanfeng Enterprise Management Company Limited (深圳元豐企業管理有限公司), a company principally engaged in corporate management consulting, business information consulting and marketing planning. Mr. Liang obtained a bachelor’s degree majoring in foreign languages in June 2006 from the Wuhan Institute of Technology in Hubei Province, the PRC.



BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jing Siyuan (“Ms. Jing”), aged 46, has been an independent non-executive Director since May 2016. Ms. Jing has been general manager at Shenzhen An Ping Tai Management Consulting Co., Ltd (深圳市安平泰企業管理諮詢有限公司) since July 2015. Ms. Jing graduated from Lingnan University in Hong Kong with a master’s degree in international banking and finance in June 2019, Oxford Brookes University in the United Kingdom with a Bachelor of Science (Applied Accounting) in July 2008, and Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants (“ACCA”) in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

Mr. Zhang Aimin (“Mr. Zhang AM”), aged 45, has been an independent non-executive Director since July 2016. Mr. Zhang AM is a director and chief executive officer of Zhejiang Xinyuan Education Sci-Tech Company Limited (浙江心元教育科技有限公司), a company principally engaged in the business of providing education consultancy and training related services. Mr. Zhang AM has over 11 years of experience in the education consultation fields. Mr. Zhang AM obtained a master of business administration from China Europe International Business School in September 2010 and a bachelor’s degree in international trade and economics from Beijing University in July 1999.

Mr. Zhang Qiang (“Mr. Zhang Q”), aged 37, has been an independent non-executive Director since November 2016. Mr. Zhang Q is a practising lawyer qualified in the People’s Republic of China and has over 11 years of experience in the practice of law in China. Mr. Zhang Q obtained his licence to practise law in China in February 2009 and a bachelor’s degree in law from Heilongjiang University in June 2007. Mr. Zhang Q also obtained a master’s degree in law from Renmin University of China in January 2018.



REPORT OF THE DIRECTORS

The Directors of the Company (the “Directors”) are pleased to present their annual report and the audited financial statements for the year ended 31 December 2022.

BUSINESS REVIEW AND PERFORMANCE

A review and outlook of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis set out on pages 3 to 8 of this annual report respectively. Description of the risks and uncertainties facing the Company can be found throughout this annual report.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 31 to 95. The Directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out in note 25 to the consolidated financial statements. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum (“Memorandum”) and Articles of Association (“Articles”) and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the applicable law of the Cayman Islands. There were no reserves available for distribution in both years ended 31 December 2022 and 2021.



REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire revenue is derived from the Group's investments in listed and unlisted securities and financial institutions and thus the disclosure of customers and suppliers information would not be meaningful.

DIRECTORS

The Directors who held office during the year ended 31 December 2022 and up to the publication of this annual report are:

Executive Directors

Mr. Luk Hong Man, Hammond
Mr. Zhang Xi

Non-executive Directors

Ms. Ma Xiaoqiu (resigned at the close of business on 21 February 2023)
Mr. Wang Mengtao
Mr. Leung Ka Fai
Mr. Liang Wenzhi (appointed on 22 February 2023)

Independent Non-executive Directors

Ms. Jing Siyuan
Mr. Zhang Aimin
Mr. Zhang Qiang

At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of each Director and the chief executive of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2022

Name of Director	Capacity	Notes	Number of shares	Approximate percentage of shareholding
Ma Xiaoqiu ("Ms. Ma")	Beneficial owner		10,520,000	0.74%
Ms. Ma	Interest of controlled corporation	(1)	198,030,400	13.94%
Wang Mengtao ("Mr. Wang")	Beneficial owner		2,600,000	0.18%
Leung Ka Fai ("Mr. Leung")	Beneficial owner		1,500,000	0.1%

(ii) Long positions in underlying shares as at 31 December 2022

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Leung	Beneficial owner	(2)	1,500,000	0.1%
Jing Siyuan	Beneficial owner	(2)	800,000	0.05%
Ms. Ma	Beneficial owner	(3)	1,200,000	0.08%

Notes:

- (1) These shares are held by HK DYF Int'l Holding Group Limited, which is held as to 100% by DingYiFeng International Holding Limited which is in turn held as to 50% by Ms. Ma. Ms. Ma is deemed to be interested in these shares by virtue of the SFO.
- (2) These share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (3) These share options are at an exercise price of HK\$2.25 per share of the Company with exercise period from 30 August 2017 to 29 August 2027.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than being a Director or chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long position

Name	Number of shares	Type of interest	Approximately percentage of total issued share capital of the Company
HK DYF Int'l Holding Group Limited	198,030,400	Beneficial owner	13.94%
DingYiFeng International Holding Limited (Note 1)	198,030,400	Interest of controlled corporation	13.94%
Ms. Ma	209,750,400 (Note 2)	Beneficial owner and interest of controlled corporation	14.76%
Mr. Sui Guangyi ("Mr. Sui")	347,612,800 (Note 3)	Beneficial owner and interest of controlled corporation	24.47%

Note 1: DingYiFeng International Holding Limited is deemed to be interested in 198,030,400 shares through its controlled corporation, HK DYF Int'l Holding Group Limited.

Note 2: Of these shares, (i) 198,030,400 shares are held by HK DYF Int'l Holding Group Limited, which is held as to 100% by DingYiFeng International Holding Limited, which in turn held as to 50% by Ms. Ma. Ms. Ma is deemed to be interested in these shares by virtue of the SFO; (ii) 10,520,000 shares are held by Ms. Ma; and (iii) 1,200,000 are underlying shares which Ms. Ma is entitled to subscribe for at an exercise price of HK\$2.25 per share via options granted under the Company's share option scheme with exercise period from 30 August 2017 to 29 August 2027.

Note 3: Of these shares, 198,030,400 shares are held by HK DYF Int'l Holding Group Limited, which is held as to 100% by DingYiFeng International Holding Limited, which is in turn held as to 50% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.



REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 26 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONNECTED TRANSACTION AND DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

Except as set out in note 28 to the consolidated financial statements, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2022, the Directors were not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprises independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2022.

DIVIDEND POLICY

The Board has adopted a dividend policy under which, the Board, when considering the declaration and payment of dividends, should take into account factors including but not limited to the Group's financial results, cash flow situation, investment policy and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends.



REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 18 to 26 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2022, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors are entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in their respective offices. During the year, appropriate directors' and officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or was subsisting during the year.



REPORT OF THE DIRECTORS

FIVE YEARS SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 96.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the independent non-executive Directors are independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 were audited by Confucius International CPA Limited ("CICPA") who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

China Investment Fund Company Limited

Luk Hong Man, Hammond

Executive Director

Hong Kong, 28 March 2023



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance practice of a listed company and is committed to adopting the requisite standards of corporate governance. The Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules during the year ended 31 December 2022, except for the deviation set out as below. Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The then Chairman of the Board was prevented by special circumstances from attending the annual general meeting of the Company held on 28 June 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

Composition and role

Executive Directors

Mr. Luk Hong Man, Hammond
Mr. Zhang Xi

Non-executive Directors

Ms. Ma Xiaoqiu (resigned at the close of business on 21 February 2023)
Mr. Wang Mengtao
Mr. Leung Ka Fai
Mr. Liang Wenzhi (appointed on 22 February 2023)

Independent non-executive Directors

Ms. Jing Siyuan
Mr. Zhang Aimin
Mr. Zhang Qiang



CORPORATE GOVERNANCE REPORT

There is no relationship between members of the Board as referred to in paragraph I (h) of the Corporate Governance Code.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on pages 9 and 10 of this annual report. At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

An independent non-executive Director, Ms. Jing Siyuan, possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

During the year 2022, the Board maintained the Audit Committee, the Remuneration Committee and the Nomination Committee as required by the applicable rules. In April 2016, in order to strengthen the governance of the Company, the Board set up the Risk Management Committee and the Investor Relations Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from all the independent non-executive Directors an annual confirmation of independence, and accordingly the Board considers them to be independent.

CORPORATE GOVERNANCE REPORT

Board meetings and Directors' Attendance

The Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2022 are set out in the following table:

Name of Directors	Meeting attended/held	
	Board meeting	AGM held on 28 June 2022
Executive Directors		
Mr. Luk Hong Man, Hammond	5/5	0/1
Mr. Zhang Xi	5/5	1/1
Non-executive Directors		
Ms. Ma Xiaoqiu	4/5	0/1
Mr. Wang Mengtao	5/5	0/1
Mr. Leung Ka Fai	5/5	1/1
Independent Non-executive Directors		
Ms. Jing Siyuan	5/5	0/1
Mr. Zhang Aimin	5/5	0/1
Mr. Zhang Qiang	5/5	0/1

Directors' Training and Professional Development

During the year, all Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the training received by the Directors in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2022 to 31 December 2022 are set out below:

Name of Directors	Reading materials	Attending seminars/ briefings/ training courses
Executive Directors		
Mr. Luk Hong Man, Hammond	✓	✓
Mr. Zhang Xi	✓	✓
Non-executive Directors		
Ms. Ma Xiaoqiu	✓	✓
Mr. Wang Mengtao	✓	✓
Mr. Leung Ka Fai	✓	✓
Independent Non-executive Directors		
Ms. Jing Siyuan	✓	✓
Mr. Zhang Aimin	✓	✓
Mr. Zhang Qiang	✓	✓

Chairman and Chief Executive

The roles of the chairman and the chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The chairman of the Board is responsible for the leadership and effective running of the Board. The chief executive is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

The Board has appointed Ms. Ma Xiaoqiu as chairman with effect from 24 January 2020 while Mr. Luk Hong Man, Hammond assumes the role of chief executive, a position he has taken up since 22 April 2016. Ms. Ma Xiaoqiu has resigned from all positions with the Company with effect from the close of business on 21 February 2023. The Board is considering how best to address the vacancy of the role of Chairman and will make an announcement in this regard as and when appropriate.



CORPORATE GOVERNANCE REPORT

Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our Articles, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

Pursuant to Rule 3.21, Rule 3.25 and Corporate Governance Code A.5.1, during 2022 the Board has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing relevant aspects of the affairs of our Company. These committees are established with written terms of reference are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

Audit Committee

The Audit Committee currently comprises independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2022.

The Group's 2022 audited financial statements have been duly reviewed by the Audit Committee with the auditor and in relation to which the members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of CICPA as the auditor of the Company and therefore recommends to the Board that CICPA be reappointed as the auditor of the Company, which will be put forward for Shareholders approval at the forthcoming annual general meeting.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2022 consolidated financial statements of the Group, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of them under the Rule 3.08 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

CICPA was appointed as auditor of the Company until conclusion of the forthcoming AGM. The remuneration in respect of audit services provided by the auditor in relation to the audit of the Company's consolidated financial statements for the year ended 31 December 2022 are as follows:

Audit services HK\$770,000

The Audit Committee held three meetings during 2022. The Committee reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management, including a review of the consolidated financial statements for the period ended 30 June 2022 and for the year ended 31 December 2022.

The attendance of the Audit Committee meetings held during 2022 of those persons who were members of the committee in 2022 is as follows:

Audit Committee members	Meetings attended/held
Independent non-executive Directors	
Ms. Jing Siyuan, <i>Chairman</i>	3/3
Mr. Zhang Aimin	3/3
Mr. Zhang Qiang	3/3

Remuneration Committee

The Remuneration Committee currently comprises one executive Director, Mr. Zhang Xi and two independent non-executive Directors, namely, Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management of the Company and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held one meeting during 2022 to discuss the remuneration package of Directors and make recommendation to the Board on the amount of discretionary bonus for the Directors and senior management.

CORPORATE GOVERNANCE REPORT

The attendance of the Remuneration Committee meeting held during 2022 of those persons who were members of the committee in 2022 is as follows:

Remuneration Committee members	Meetings attended/held
Executive Director	
Mr. Zhang Xi	1/1
Independent non-executive Directors	
Mr. Zhang Aimin, <i>Chairman</i>	1/1
Ms. Jing Siyuan	1/1

Nomination Committee

The Nomination Committee currently comprises one executive Director, Mr. Luk Hong Man, Hammond and two independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee held one meeting during 2022 to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and review and discuss the Board diversity policy.

CORPORATE GOVERNANCE REPORT

The attendance of the Nomination Committee meeting held during 2022 of those persons who were members of the committee in 2022 is as follows:

Nomination Committee members	Meeting attended/held
Executive Director	
Mr. Luk Hong Man, Hammond	1/1
Independent non-executive Directors	
Ms. Jing Siyuan, <i>Chairman</i>	1/1
Mr. Zhang Aimin	1/1

RISK MANAGEMENT

The Risk Management Committee is responsible for overseeing risk management matters in relation to the Group's investments and financial instruments in view of its investment objectives. Members of the Risk Management Committee meet from time to time for evaluating, determining and monitoring the possible risks associated with the investments, and advising the Board to adopt the appropriate risk mitigation measures.

INTERNAL CONTROLS AND INTERNAL AUDIT

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests and to enable proper accounting records to be kept for management and financial reporting purposes. The Board recognises that the system should provide reasonable but not absolute assurances against material misstatement or loss. The Board assesses the effectiveness of the internal control system and procedures through discussions with the Directors and those responsible for internal control and internal audit. The Board believes that the existing internal control system is adequate and effective.

COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010. The Company Secretary reports to the Directors of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company at the Units 6602–03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the Company Secretary of the Company and the contact details are as follows:

Company Secretary

China Investment Fund Company Limited

Units 6602–03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

Email: info@cifund.com.hk

Tel. No.: (852) 2838 9806

Fax No.: (852) 2838 6782

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, the Company made certain amendments to its Memorandum and Articles to conform with the amendments in relation to the core standards for shareholder protections in the Listing Rules and to incorporate amendments and provisions to allow and facilitate hybrid and electronic meetings and other housekeeping changes. A copy of the newly adopted Memorandum and Articles of Association of the Company is posted on our website and on the website of The Stock Exchange of Hong Kong Limited.

INDEPENDENT AUDITOR'S REPORT



天健國際會計師事務所有限公司
Confucius International CPA Limited

Certified Public Accountants

香港灣仔莊士敦道181号大有大厦1501-08室
Rooms 1501-08, 15th Floor, Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
电话 Tel: (852) 3103 6980
传真 Fax: (852) 3104 0170

TO THE MEMBERS OF CHINA INVESTMENT FUND COMPANY LIMITED

中國投資基金有限公司

(Incorporated as an exempted company in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 31 to 95, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 disclosure requirements of 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 is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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



INDEPENDENT AUDITOR'S REPORT

Impairment assessment of property, plant and equipment

Refer to note 14 to the consolidated financial statements

The carrying amount of property, plant and equipment was approximately HK\$467,776,000 as at 31 December 2022 including land and buildings in the PRC amounting to approximately HK\$466,879,000. Based on management's assessment, no impairment loss is recognised on property, plant and equipment for the year ended 31 December 2022.

We identified the impairment assessment of property, plant and equipment as a key audit matter due to the significance of balance on the consolidated statement of financial position as at 31 December 2022 and the significant judgement and estimates were made by the management in: (i) identifying whether any impairment indicators existed for the assets during the year; (ii) determining the appropriate recoverable amounts, being higher of the fair value less costs of disposal and value in use; and (iii) selecting key assumptions to be adopted in the valuation model for the impairment assessments, including market unit sales price per square meter. The fair value was determined by the management with reference to the valuations performed by an independent valuer (the "Valuer") engaged by the Group.

How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment of property, plant and equipment included the following:

- assessing the competence, capabilities, independence and objectivity of the Valuer;
- assessing the valuation methodology used by the Valuer, validating the observable inputs using external market data, assessing the appropriateness of the key bases and assumptions used in the calculation, including market unit sales price per square meter, and discussing these bases and assumptions with the management and the Valuer;
- challenging the reasonableness of the key assumptions used in the valuation based on our knowledge of the business and industry;
- obtaining supportive evidence for the significant judgements and estimates of the valuation and the key inputs used in the valuation model; and
- checking the mathematical accuracy of the valuation.

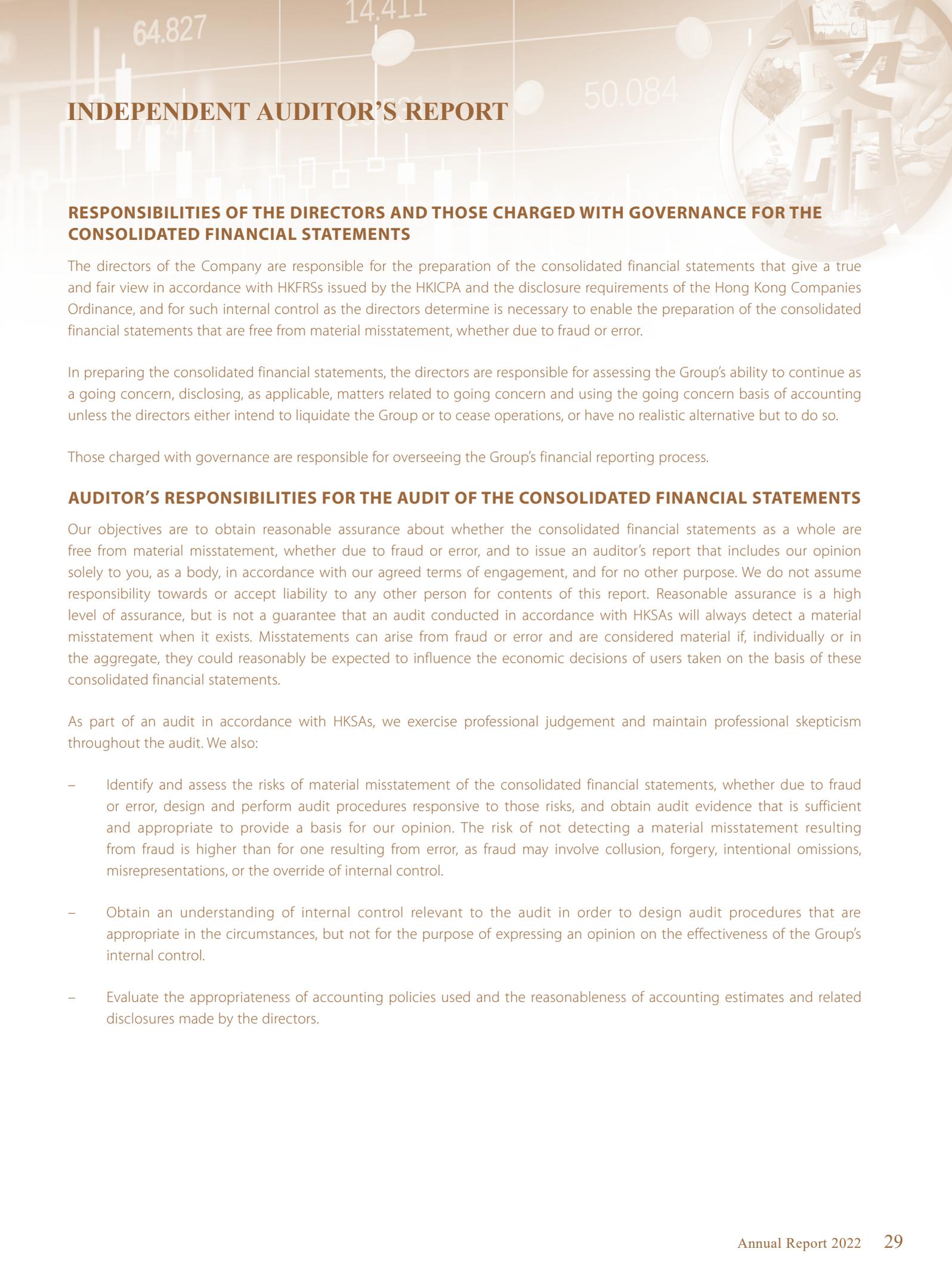
Based on available evidence, we consider that the bases and assumptions used by management in the impairment assessment of the property, plant and equipment as at the year-end date were reasonable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises 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.



INDEPENDENT AUDITOR'S REPORT

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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. 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 skepticism 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.



INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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.

Confucius International CPA Limited

Certified Public Accountants

Wong Kam Hing

Practising Certificate Number: P05697

Hong Kong, 28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	5	252	480
Other income, gains and (losses)	6	229	1,152
Net realised loss on disposals of financial assets at fair value through profit or loss		(2,798)	(21,859)
Net unrealised (loss) gain on financial assets at fair value through profit or loss		(206,646)	169,202
		(208,963)	148,975
(Loss) gain on disposal of subsidiaries	32	(190)	67,922
Administrative expenses		(105,389)	(105,637)
Finance costs	8	(16,645)	(19,242)
(Loss) profit before taxation	9	(331,187)	92,018
Taxation	10	–	73,112
(Loss) profit for the year attributable to owners of the Company		(331,187)	165,130
(Loss) earnings per share	13		
– Basic (HK cents per share)		(23.97)	12.36
– Diluted (HK cents per share)		(23.97)	12.27

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
(Loss) profit for the year attributable to owners of the Company	(331,187)	165,130
Other comprehensive (expense) income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(51,940)	21,196
Other comprehensive (expense) income for the year, net of tax	(51,940)	21,196
Total comprehensive (expense) income attributable to owners of the Company	(383,127)	186,326

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	14	467,776	519,703
Intangible assets	15	9,806	11,155
Right-of-use assets	16	16,257	10,408
Financial assets at fair value through profit or loss	18	497,279	674,085
Deferred tax assets	23	6,359	6,359
Deposits and prepayments	17	4,118	6,937
		1,001,595	1,228,647
Current assets			
Prepayments, deposits and other receivables	17	7,529	19,717
Financial assets at fair value through profit or loss	18	107,309	99,094
Bank balances and cash	19	101,029	111,881
		215,867	230,692
Current liabilities			
Accruals and other payables	20	9,452	8,390
Borrowings	21	55,440	118,316
Lease liabilities	22	8,417	8,169
		73,309	134,875
Net current assets		142,558	95,817
Total assets less current liabilities		1,144,153	1,324,464

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Borrowings	21	38,532	49,775
Lease liabilities	22	8,929	2,427
		47,461	52,202
Net assets			
		1,096,692	1,272,262
Capital and reserve			
Share capital	24	71,014	67,500
Reserves		1,025,678	1,204,762
Total equity			
		1,096,692	1,272,262
Net asset value per share			
	13	HK\$0.77	HK\$0.94

The consolidated financial statements on pages 31 to 95 were approved and authorised for issue by the Board of Directors on 28 March 2023 and are signed on its behalf by:

Luk Hong Man, Hammond
Director

Zhang Xi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021	66,394	803,143	43,520	9,428	524,157	(337,432)	1,109,210
Profit for the year	-	-	-	-	-	165,130	165,130
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	-	-	21,196	-	-	-	21,196
Total comprehensive income for the year	-	-	21,196	-	-	165,130	186,326
Exercise of share options	1,106	22,545	-	(5,838)	-	-	17,813
Disposal of subsidiaries	-	-	(2,248)	-	(38,839)	-	(41,087)
At 31 December 2021 and 1 January 2022	67,500	825,688	62,468	3,590	485,318	(172,302)	1,272,262
Loss for the year	-	-	-	-	-	(331,187)	(331,187)
Other comprehensive expense for the year:							
Exchange differences arising on translation of foreign operations	-	-	(51,940)	-	-	-	(51,940)
Total comprehensive expense for the year	-	-	(51,940)	-	-	(331,187)	(383,127)
Issue of shares by placement	3,236	206,224	-	-	-	-	209,460
Share issue expenses	-	(6,284)	-	-	-	-	(6,284)
Exercise of share options	278	5,589	-	(1,486)	-	-	4,381
At 31 December 2022	71,014	1,031,217	10,528	2,104	485,318	(503,489)	1,096,692

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Operating activities			
(Loss) profit for the year		(331,187)	165,130
Adjustments for:			
Taxation	10	–	(73,112)
Depreciation of property, plant and equipment	14	12,551	14,085
Depreciation of right-of-use assets	16	13,541	10,896
Interest income		(610)	(728)
Interest expenses	8	16,645	19,242
Loss (gain) on disposal of subsidiaries	32	190	(67,922)
Impairment loss on intangible assets	15	1,109	2,146
Loss on redemption of loan note		–	21
Loss on property, plant and equipment written off		11	837
Gain on early termination of a lease		–	(48)
Net realised loss on disposals of financial assets at fair value through profit or loss (“FVTPL”)		2,798	21,859
Net unrealised loss (gain) on financial assets at FVTPL		206,646	(169,202)
Operating cash flows before movements in working capital		(78,306)	(76,796)
Decrease (increase) in prepayments, deposits and other receivables		14,990	(14,848)
Increase (decrease) in accruals and other payables		2,810	(706)
Proceeds from disposals of financial assets at FVTPL		42,122	68,166
Purchase of financial assets at FVTPL		(91,002)	(8,988)
Decrease in restricted bank deposits		–	18,145
Cash used in operations		(109,386)	(15,027)
Interest received		252	480
Net cash used in operating activities		(109,134)	(14,547)
Investing activities			
Purchase of property, plant and equipment		(1,054)	(215)
Net cash inflow from disposal of subsidiaries	32	50	26,835
Net cash (used in) from investing activities		(1,004)	26,620

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Financing activities			
Interest paid	31	(12,120)	(13,605)
Capital element of lease rentals paid	31	(12,254)	(10,767)
Interest element of lease rentals paid	31	(1,432)	(1,142)
Net proceeds from issue of shares		207,557	17,813
Proceeds from borrowings raised	31	52,340	35,220
Repayment of borrowings	31	(131,300)	(93,000)
Net cash from (used in) financing activities		102,791	(65,481)
Net decrease in cash and cash equivalents		(7,347)	(53,408)
Effect of foreign exchange rate changes		(3,505)	1,162
Cash and cash equivalents at beginning of the year		111,881	164,127
Cash and cash equivalents at end of the year	19	101,029	111,881



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

China Investment Fund Company Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The principal activities of the Company and its subsidiaries (the “Group”) are investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 Group’s annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with 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 of Hong Kong Limited (“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 that are measured at fair values at the end 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 for goods and services.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Basis of preparation of consolidated financial statements (*Continued*)

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 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 a 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 *Leases* ("HKFRS 16"), and measurements 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; and
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings, leasehold improvements, office equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

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

Impairment on property, plant and equipment, intangible assets and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired.

The recoverable amount of property, plant and equipment, intangible assets and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. 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), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to certain leases of office premise that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or other systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

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".

Retirement benefit costs

Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employee (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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.

Interest income and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the revenue line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including financial assets included in prepayments, deposits and other receivables and bank balances and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, other than investment in equity instruments, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debit or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including accruals and other payables, borrowings and lease liabilities) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered at the end of the reporting period respectively.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks or other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are within three months of maturing at acquisition.

Related parties

A related party is a person or an entity that is related to the Group.

- (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 of the Group's parent.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of 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 to 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 Group including:

- (i) the person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the consolidated financial statements.

Useful lives of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful life after taking into account their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the amounts that the directors estimate that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including market unit sales price per square meter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest income from banks and financial institutions	252	480

6. OTHER INCOME, GAINS AND (LOSSES)

	2022 HK\$'000	2021 HK\$'000
Government subsidies (Note)	598	–
Net foreign exchange (losses) gains	(729)	876
Effective interest income from rental deposits	358	248
Gain on early termination of a lease	–	48
Others	2	(20)
	229	1,152

Note: Regarding the government subsidies, approximately HK\$591,000 were received from the Employment Support Scheme in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. SEGMENT INFORMATION

For the years ended 31 December 2022 and 2021, the Group's revenue was interest income from banks and financial institutions. The directors of the Company consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC and others jurisdictions		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue:						
Interest income from banks and financial institutions	134	376	118	104	252	480
Non-current assets*	509,620	695,912	481,498	519,439	991,118	1,215,351
Total assets	604,567	787,773	612,895	671,566	1,217,462	1,459,339
Total liabilities	103,026	187,048	17,744	29	120,770	187,077
Other segment information:						
Additions to property, plant and equipment	-	215	1,054	-	1,054	215
Additions to right-of-use assets	-	-	21,049	-	21,049	-

* The non-current assets information above is based on the locations of the assets and excluded deferred tax assets and deposits and prepayments.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest expenses on:		
Interest-bearing loan notes (note 21(a))	2,174	2,121
Interest-bearing bonds (note 21(b))	13,039	15,924
Interest-bearing loans	–	55
Lease liabilities	1,432	1,142
	16,645	19,242

9. (LOSS) PROFIT BEFORE TAXATION

	2022 HK\$'000	2021 HK\$'000
The Group's (loss) profit before taxation has been arrived at after charging (crediting) the following items:		
Directors' emoluments (note 11(a)):		
Fees	3,420	3,420
Other emoluments	4,524	3,772
Discretionary bonuses	664	570
Retirement benefits scheme contributions	74	69
Staff costs:		
Basic salaries and allowances	20,559	15,181
Retirement benefits scheme contributions	487	452
Total staff costs (including directors' emoluments)	29,728	23,464
Auditor's remuneration	770	750
Depreciation of property, plant and equipment	12,551	14,085
Depreciation of right-of-use assets	13,541	10,896
Expenses related to short-term leases	96	114
Loss on property, plant and equipment written off	11	837
Impairment loss on intangible assets	1,109	2,146
Gain on early termination of a lease	–	(48)
Net foreign exchange losses (gains)	729	(876)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. TAXATION

	2022 HK\$'000	2021 HK\$'000
Deferred taxation		
Credit for the year (note 23)	–	(73,112)

Under the Hong Kong Profits Tax two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2021: Nil).

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group’s PRC subsidiaries is 25% for both years.

The tax credit for the year can be reconciled to the (loss) profit before taxation in the consolidated statement of profit or loss as follows:

	2022 HK\$'000	2021 HK\$'000
(Loss) profit before taxation	(331,187)	92,018
Tax at the applicable statutory tax rates	(57,018)	25,178
Tax effect of income not taxable for tax purpose	(408)	(64,228)
Tax effect of expenses not deductible for tax purpose	7,550	28,195
Tax effect of temporary differences not recognised	33,261	(8,640)
Tax effect of tax losses not recognised	16,615	19,495
Tax effect of temporary difference recognised	–	(73,112)
Tax credit for the year	–	(73,112)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2022					
<i>Executive Directors</i>					
Luk Hong Man, Hammond	-	2,262	332	35	2,629
Zhang Xi	-	2,262	332	39	2,633
<i>Non-executive Directors</i>					
Wang Mengtao	960	-	-	-	960
Leung Ka Fai	960	-	-	-	960
Ma Xiaoqiu (Chairman) (Note)	960	-	-	-	960
<i>Independent Non-executive Directors</i>					
Jing Siyuan	180	-	-	-	180
Zhang Aimin	180	-	-	-	180
Zhang Qiang	180	-	-	-	180
	3,420	4,524	664	74	8,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(a) Directors' emoluments (Continued)

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2021					
<i>Executive Directors</i>					
Luk Hong Man, Hammond	-	1,886	285	34	2,205
Zhang Xi	-	1,886	285	35	2,206
<i>Non-executive Directors</i>					
Wang Mengtao	960	-	-	-	960
Leung Ka Fai	960	-	-	-	960
Ma Xiaoqiu (Chairman)	960	-	-	-	960
<i>Independent Non-executive Directors</i>					
Jing Siyuan	180	-	-	-	180
Zhang Aimin	180	-	-	-	180
Zhang Qiang	180	-	-	-	180
	3,420	3,772	570	69	7,831

Note: Resigned at the close of business on 21 February 2023

The executive directors' emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The fees paid to non-executive and independent non-executive directors shown above were mainly for their services as directors of the Company.

Mr. Luk Hong Man, Hammond is also chief executive officer and Mr. Zhang Xi is also chief investment officer of the Company and their emoluments disclosed above include those services rendered by them.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during both years.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2021: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2021: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year included three (2021: four) directors, details of whose remuneration are set out in note 11(a) above. The emoluments of the remaining two (2021: one) employees were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and other benefits	4,421	1,306
Discretionary bonuses	242	202
Retirement benefits scheme contributions	18	18
	4,681	1,526

The emoluments of the five individuals with the highest emoluments were within the following bands:

	Number of individuals	
	2022	2021
HK\$Nil-HK\$1,000,000	1	2
HK\$1,000,001-HK\$1,500,000	-	-
HK\$1,500,001-HK\$2,000,000	1	1
HK\$2,000,001-HK\$2,500,000	-	2
HK\$2,500,001-HK\$3,000,000	3	-

During the years ended 31 December 2022 and 2021, no remuneration was paid by the Group to any of the directors of the Company or the two (2021: one) highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was proposed during the year, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. NET ASSET VALUE PER SHARE AND (LOSS) EARNINGS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$1,096,692,000 (2021: approximately HK\$1,272,262,000) by the number of ordinary shares in issue as at 31 December 2022, being approximately 1,420,290,000 (2021: 1,350,005,000) shares.

(Loss) earnings per share

The calculations of basic and diluted (loss) earnings per share are based on:

	2022 HK\$'000	2021 HK\$'000
(Loss) earnings		
(Loss) profit attributable to owners of the Company	(331,187)	165,130
<hr/>		
	2022 '000	2021 '000
Shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share calculation	1,381,450	1,336,003
Effect of dilutive potential ordinary shares – share options	4,000	9,565
<hr/>		
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share calculation	1,385,450*	1,345,568

* No adjustment has been made to the basic loss per share for the year ended 31 December 2022 because the resulted loss per share is decreased when taking the outstanding share options into account, as the outstanding share options had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 January 2021	521,023	13,152	8,052	1,575	543,802
Additions	–	95	–	120	215
Written off	–	(4,812)	(46)	–	(4,858)
Exchange adjustments	17,607	–	2	–	17,609
At 31 December 2021 and at 1 January 2022	538,630	8,435	8,008	1,695	556,768
Additions	–	953	101	–	1,054
Disposals	–	–	(90)	–	(90)
Derecognised upon disposal of subsidiaries	–	–	–	(691)	(691)
Written off	–	–	(49)	–	(49)
Exchange adjustments	(42,267)	(33)	(9)	–	(42,309)
At 31 December 2022	496,363	9,355	7,961	1,004	514,683
DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	6,200	10,920	7,897	1,538	26,555
Charge for the year	12,558	1,423	66	38	14,085
Written off	–	(3,998)	(23)	–	(4,021)
Exchange adjustments	444	–	2	–	446
At 31 December 2021 and at 1 January 2022	19,202	8,345	7,942	1,576	37,065
Charge for the year	12,161	302	60	28	12,551
Eliminated on disposals	–	–	(90)	–	(90)
Derecognised upon disposal of subsidiaries	–	–	–	(691)	(691)
Written off	–	–	(38)	–	(38)
Exchange adjustments	(1,879)	(8)	(3)	–	(1,890)
At 31 December 2022	29,484	8,639	7,871	913	46,907
CARRYING AMOUNTS					
At 31 December 2022	466,879	716	90	91	467,776
At 31 December 2021	519,428	90	66	119	519,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates:

Land and buildings	Over the lease terms or 40 years, whichever is shorter
Leasehold improvements	Over the lease term or 3 years, whichever is shorter
Office equipment	20%-33% per annum
Motor vehicles	20% per annum

15. INTANGIBLE ASSETS

	Cross-boundary vehicle licenses HK\$'000	Type 9 regulated activity license HK\$'000	Total HK\$'000
COST			
At 1 January 2021, 31 December 2021 and 1 January 2022	6,685	6,616	13,301
Disposal of subsidiaries (Note 32)	(1,792)	-	(1,792)
At 31 December 2022	4,893	6,616	11,509
IMPAIRMENT			
At 1 January 2021	-	-	-
Provided for the year	2,146	-	2,146
At 31 December 2021 and at 1 January 2022	2,146	-	2,146
Provided for the year	1,109	-	1,109
Disposal of subsidiaries (Note 32)	(1,552)	-	(1,552)
At 31 December 2022	1,703	-	1,703
CARRYING AMOUNTS			
At 31 December 2022	3,190	6,616	9,806
At 31 December 2021	4,539	6,616	11,155

The cross-boundary vehicle licenses have a legal life of one year but are renewable every year at minimal costs. The directors considered the Group would renew the cross-boundary vehicle licenses continuously and has the ability to do so. As a result, the cross-boundary vehicle licenses are considered by the directors of the Company as having an indefinite useful life and will not be amortised.

The management of the Company performed impairment assessment of cross-boundary vehicle licenses at the end of each reporting period. The recoverable amounts of cross-boundary vehicle licenses were assessed with reference to the market value quoted in second-hand market and an impairment of approximately HK\$1,109,000 (2021: approximately HK\$2,146,000) had been recognised to profit or loss for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. INTANGIBLE ASSETS (Continued)

Type 9 regulated activity license is regarded as having an indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that its value will not be reduced through the usage and there are no legal or similar limits on the period for its use.

16. RIGHT-OF-USE ASSETS

	2022 HK\$'000	2021 HK\$'000
At 1 January	10,408	21,818
Additions	21,049	–
Depreciation	(13,541)	(10,896)
Early termination of a lease	–	(521)
Exchange adjustments	(1,659)	7
At 31 December	16,257	10,408
Expense relating to short-term leases with lease terms ending within 12 months	96	114
Total cash outflow for leases	13,781	12,202

The Group leases offices for its operations. Lease contracts are entered into for fixed terms of 1 to 3 years (2021: 1 to 3 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Rental and utility deposits	7,321	5,268
Due from brokers (note)	48	16,325
Prepayment for leasehold improvements	2,296	2,337
Other prepayments	1,330	902
Other deposits and receivables	652	1,822
	11,647	26,654
Analysed for reporting purposes as:		
Current assets	7,529	19,717
Non-current assets*	4,118	6,937
	11,647	26,654

* Non-current assets include rental and utility deposits of approximately HK\$1,822,000 (2021: approximately HK\$4,600,000) and prepayment for leasehold improvements of approximately HK\$2,296,000 (2021: approximately HK\$2,337,000).

Note: The balances represent the cash account balances with securities brokers that are used for trading of securities. The management of the Company monitors the credit risk of these brokers on a regular basis.

None of the above assets is either past due or impaired. The receivables included in the above balances have no recent history of default.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Equity securities listed in Hong Kong (note)	505,341	674,085
Equity securities listed in the PRC (note)	99,247	99,094
	604,588	773,179
Analysed for reporting purposes as:		
Current assets	107,309	99,094
Non-current assets	497,279	674,085
	604,588	773,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note: Particulars of investments of listed equity securities held by the Group as at 31 December 2022 and 2021 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Accumulated unrealised gain (loss) recognised HK\$'000	Dividend received/ receivable during the year HK\$'000	% of gross assets of the Group	% of net assets of the Group
At 31 December 2022									
Listed equity securities in Hong Kong									
Hong Kong Exchanges and Clearing Limited (note a)	Hong Kong	8,800	Less than 0.01%	2,993	2,967	(26)	-	0.24%	0.27%
Tencent Holdings Limited (note b)	Cayman Islands	8,800	Less than 0.01%	2,956	2,939	(17)	-	0.24%	0.27%
Hua Yin International Holdings Limited (note c)	Bermuda	1,042,000,000	14.46%	79,192	422,010	342,818	-	34.66%	38.48%
New Concepts Holdings Limited (note d)	Cayman Islands	156,740,000	11.46%	42,998	72,100	29,102	-	5.92%	6.57%
Jiading International Group Holdings Limited (formerly known as Farnova Group Holdings Limited) (note e)	Bermuda	18,750,000	1.84%	3,000	3,169	169	-	0.26%	0.29%
Alibaba Group Holding Limited (note f)	Cayman Islands	25,000	Less than 0.01%	2,135	2,156	21	-	0.18%	0.20%
				133,274	505,341	372,067			
Listed equity securities in the PRC									
Caihong Display Devices Co., Ltd. (note g)	PRC	100,000	Less than 0.01%	928	468	(460)	-	0.04%	0.04%
Tianma Bearing Group Co., Ltd. (note h)	PRC	28,000,000	1.41%	71,188	98,779	27,591	-	8.11%	9.01%
				72,116	99,247	27,131			
				205,390	604,588	399,198			
At 31 December 2021									
Listed equity securities in Hong Kong									
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	15.40%	79,192	656,460	577,268	-	44.98%	51.60%
New Concepts Holdings Limited	Cayman Islands	27,116,000	2.85%	7,999	17,625	9,626	-	1.21%	1.39%
				87,191	674,085	586,894			
Listed equity securities in the PRC									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	1,007	837	(170)	-	0.06%	0.07%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	2.32%	77,250	98,257	21,007	-	6.73%	7.72%
				78,257	99,094	20,837			
				165,448	773,179	607,731			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note: (Continued)

A brief description of the business and financial information of the listed investee companies extracted from their latest published annual reports, interim reports and annual results announcements is as follows:

- (a) Hong Kong Exchanges and Clearing Limited (“HKEX”) was incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 388). HKEX owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses, a clearing house for clearing over-the-counter derivatives contracts in Hong Kong, an exchange and a clearing house for the trading and clearing of base, ferrous and precious metals futures and options contracts operating in the United Kingdom, and a commodity trading platform in the Mainland.

For the year ended 31 December 2022, the audited consolidated profit attributable to shareholders of HKEX was approximately HK\$10,078 million and the basic earnings per share was HK\$7.96. As at 31 December 2022, its audited consolidated net assets value attributable to shareholders of HKEX was approximately HK\$49,728 million. No dividend was received during the year.

- (b) Tencent Holdings Limited (“Tencent”) was incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 700). Tencent was principally engaged in provision of value-added services, online advertising services and financial technology and business services.

For the year ended 31 December 2021, the audited consolidated profit attributable to equity holders of Tencent was approximately RMB224,822 million and the basic earnings per share was RMB23.597. As at 31 December 2021, its audited consolidated net assets value attributable to equity holders of Tencent was approximately RMB806,299 million. The unaudited consolidated profit attributable to the equity holders of Tencent for the six months ended 30 June 2022 was approximately RMB42,032 million and basic earnings per share was RMB4.407. At 30 June 2022, the unaudited consolidated net assets value attributable to the equity holders of Tencent was approximately RMB736,494 million. No dividend was received during the year.

- (c) Hua Yin International Holdings Limited (“Hua Yin”) was incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 989). Hua Yin is principally engaged in property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment.

For the year ended 31 March 2022, the audited consolidated loss attributable to owners of Hua Yin was approximately RMB56,960,000 and the basic loss per share was RMB0.84 cents. As at 31 March 2022, its audited consolidated net assets attributable to owners of Hua Yin was approximately RMB44,541,000. The unaudited consolidated profit attributable to the owners of Hua Yin for the six months ended 30 September 2022 was approximately RMB416,562,000 and basic earnings per share was RMB5.98 cents. At 30 September 2022, the unaudited consolidated net assets value attributable to the owners of Hua Yin was approximately RMB442,676,000. No dividend was received during the year.

- (d) New Concepts Holdings Limited (“New Concepts”) was incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2221). New Concepts is principally engaged in construction works and environmental protection.

For the year ended 31 March 2022, the audited consolidated profit attributable to owners of New Concepts was approximately HK\$5,504,000 and the basic earnings per share was HK0.53 cents. As at 31 March 2022, its audited consolidated net assets value attributable to owners of New Concepts was approximately HK\$191,040,000. The unaudited consolidated loss attributable to the owners of New Concepts for the six months ended 30 September 2022 was approximately HK\$13,319,000 and basic loss per share was HK1.13 cents. At 30 September 2022, the unaudited consolidated net assets value attributable to the owners of New Concepts was approximately HK\$233,254,000. No dividend was received during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note: (Continued)

A brief description of the business and financial information of the listed investee companies extracted from their latest published annual reports, interim reports and annual results announcements is as follows: (Continued)

- (e) Jiading International Group Holdings Limited (formerly known as Farnova Group Holdings Limited) ("Jiading") was incorporated in Bermuda and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (Stock code: 8153). Jiading is principally engaged in provision of advertising services and sales of new energy electric vehicles.

For the year ended 31 March 2022, the audited consolidated loss attributable to owners of Jiading was approximately HK\$44,321,000 and the basic loss per share was HK0.61 cents. As at 31 March 2022, its audited consolidated net assets value attributable to owners of Jiading was approximately HK\$71,760,000. The unaudited consolidated loss attributable to the owners of Jiading for the six months ended 30 September 2022 was approximately HK\$6,737,000 and basic loss per share was HK0.79 cents. At 30 September 2022, the unaudited consolidated net assets value attributable to the owners of Jiading was approximately HK\$60,277,000. No dividend was received during the year.

- (f) Alibaba Group Holding Limited ("Alibaba") was incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 9988). Alibaba was principally engaged in China and international retail and wholesale business, local consumer service, which included "To-Home" and "To-Destination" businesses, Cainiao Network's logistics services, cloud service, digital media and entertainment services and innovation initiatives and others.

For the year ended 31 March 2022, the audited consolidated net income attributable to ordinary shareholders of Alibaba was approximately RMB61,959 million and the basic earnings per share was RMB2.87. As at 31 March 2022, its audited consolidated net assets value attributable to shareholders of Alibaba was approximately RMB948,479 million. The unaudited consolidated net income attributable to the ordinary shareholders of Alibaba for the six months ended 30 September 2022 was approximately RMB2,178 million and basic earnings per share was RMB0.10. At 30 September 2022, the unaudited consolidated net assets value attributable to the shareholders of Alibaba was approximately RMB947,937 million. No dividend was received during the year.

- (g) Caihong Display Devices CO., Ltd ("Caihong") was incorporated in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 600707). Caihong was principally engaged in research and development, production and sale of liquid crystal glass substrates and liquid crystal panels.

For the year ended 31 December 2021, the audited consolidated profit attributable to owners of Caihong was approximately RMB2,669 million and the basic earnings per share was RMB0.74. As at 31 December 2021, its audited consolidated net assets value attributable to owners of Caihong was approximately RMB22,324 million. The unaudited consolidated loss attributable to the owners of Caihong for the six months ended 30 June 2022 was approximately RMB1,144 million and basic loss per share was RMB0.319. At 30 June 2022, the unaudited consolidated net assets value attributable to the owners of Caihong was approximately RMB21,149 million. No dividend was received during the year.

- (h) Tianma Bearing Group Co., Ltd. ("Tianma") was incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange (Stock code: 002122). Tianma is principally engaged in (i) venture capital services and asset management; (ii) internet information technology services; (iii) media business; and (iv) high-end equipment manufacturing business.

For the year ended 31 December 2021, the audited consolidated loss attributable to owners of Tianma was approximately RMB727 million and the basic loss per share was RMB0.6124. As at 31 December 2021, its audited consolidated net assets value attributable to owners of Tianma was approximately RMB735 million. The unaudited consolidated loss attributable to the owners of Tianma for the six months ended 30 June 2022 was approximately RMB208 million and basic loss per share was RMB0.1726. At 30 June 2022, the unaudited consolidated net assets value attributable to the owners of Tianma was approximately RMB541 million. No dividend was received during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The fair value of listed equity securities is based on their quoted closing prices in active markets.

Financial assets at FVTPL are denominated in the following currencies:

	2022	2021
	HK\$'000	HK\$'000
HKD	505,341	674,085
RMB	99,247	99,094
	604,588	773,179

19. BANK BALANCES AND CASH

	2022	2021
	HK\$'000	HK\$'000
Bank balances and cash	101,029	111,881

As at 31 December 2022, the balances that were placed with banks in the PRC amounted to approximately HK\$26,777,000 (2021: approximately HK\$37,600,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC law.

At the end of the reporting period, cash and cash equivalents comprised of cash at banks and in hand. Bank balances carried interest at prevailing market rates ranging from 0.01% to 1.90% (2021: 0.01% to 2.20%) per annum.

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group:

	2022	2021
	'000	'000
USD	USD108	USD1,763
RMB	RMB28,962	RMB51,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. ACCRUALS AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Accruals and other payables	4,395	1,585
Interest payables	1,113	2,861
Dividend payables	3,944	3,944
	9,452	8,390

21. BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Interest-bearing loan notes, unsecured (Note a)	32,481	32,442
Interest-bearing bonds, unsecured (Note b)	61,491	135,649
	93,972	168,091
Analysed for reporting purposes as:		
Current liabilities	55,440	118,316
Non-current liabilities	38,532	49,775
	93,972	168,091

	2022 HK\$'000	2021 HK\$'000
The carrying amounts of above borrowings are repayable:		
Within one year	55,440	118,316
More than one year but not exceeding two years	28,455	39,721
More than two years but not exceeding five years	10,077	10,054
	93,972	168,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. BORROWINGS (Continued)

Notes:

(a) Interest-bearing loan notes

The Company issued unsecured interest-bearing loan notes (the "Notes") to independent private investors through a placing agent in an aggregate principal amount of HK\$30,000,000 from 29 April 2015 to 30 April 2015 which are repayable on dates falling 8 years from the dates of issue of the Notes, which are 28 April 2023 and 29 April 2023 and a principal amount of HK\$12,500,000 issued on 9 September 2015 which is repayable on a date falling 8 years from the date of issue of the Notes, which is 8 September 2023. The Company has the right at any time after the second year of the issue date of the Notes to the maturity date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the "Redemption Right"). But the noteholders have no right to require the Company to redeem the Notes before the Maturity Date.

The Redemption Right is regarded as embedded derivatives in the host contract. The Redemption Right is not recognised in the consolidated financial statements since the redemption is at the discretion of the Company and the directors consider that the probability of exercise of the Redemption Right is remote. The Directors have assessed the fair values of the Redemption Right at initial recognition and at the end of the reporting period and consider that the fair values were insignificant. Accordingly, the fair values of the Redemption Right were not accounted for in the consolidated financial statements as at 31 December 2022 and 2021.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes range from 5.08% p.a. to 5.15% p.a. (2021: 5.08% p.a. to 5.15% p.a.).

The Notes recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$'000
At 1 January 2021	42,372
Repaid during the year	(10,000)
Effective interest expenses (Note 8)	2,121
Interest paid/payables	(2,072)
Loss on redemption	21
At 31 December 2021 and 1 January 2022	32,442
Effective interest expenses (Note 8)	2,174
Interest paid/payables	(2,135)
At 31 December 2022	32,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. BORROWINGS (Continued)

Notes: (Continued)

(b) Interest-bearing bonds

During the year ended 31 December 2022, the Company has issued and repaid unsecured interest-bearing bonds with aggregate principal amounts of HK\$57,000,000 and HK\$131,300,000 (2021: HK\$36,500,000 and HK\$66,500,000) respectively. The outstanding unsecured bonds bear interests ranging from 2.8% p.a. to 12% p.a. (2021: 5% p.a. to 12% p.a.) and with maturity dates from three months to two years (2021: from one to two years).

The bonds recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$'000
At 1 January 2021	161,484
Issued during the year, at fair value	35,220
Repaid during the year	(66,500)
Effective interest expenses (Note 8)	15,924
Interest paid/payables	(10,479)
At 31 December 2021 and 1 January 2022	135,649
Issued during the year, at fair value	52,340
Repaid during the year	(131,300)
Effective interest expenses (Note 8)	13,039
Interest paid/payables	(8,237)
At 31 December 2022	61,491

22. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Within one year	8,417	8,169
Within a period of more than one year but not more than two years	7,594	2,427
Within a period of more than two years but not more than five years	1,335	–
	17,346	10,596
Less: Amount due for settlement within 12 months shown under current liabilities	(8,417)	(8,169)
Amount due for settlement after 12 months shown under non-current liabilities	8,929	2,427

The weighted average incremental borrowing rates applied to lease liabilities range from 6.5% p.a. to 7% p.a. (2021: 6.5% p.a.).

Lease liabilities of approximately HK\$14,919,000 (2021: Nil) are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022	2021
	HK\$'000	HK\$'000
Deferred tax assets	6,359	6,359

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years.

	Unrealised (loss) gain on financial assets at FVTPL	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	(73,112)	6,359	(66,753)
Credit to profit or loss (note 10)	73,112	–	73,112
At 31 December 2021, 1 January 2022 and 31 December 2022	–	6,359	6,359

At the end of the reporting period, the Group has unused tax losses of approximately HK\$376,676,000 (2021: approximately HK\$295,939,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$38,541,000 (2021: approximately HK\$38,541,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$338,135,000 (2021: approximately HK\$257,398,000) due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each '000	Nominal value HK\$'000
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	4,000,000	200,000
Issued and fully paid:		
At 1 January 2021	1,327,874	66,394
Exercise of share options (Note a)	22,131	1,106
At 31 December 2021 and 1 January 2022	1,350,005	67,500
Issue of shares by placement (Note b)	64,720	3,236
Exercise of share options (Note c)	5,565	278
At 31 December 2022	1,420,290	71,014

Notes:

- (a) During the year ended 31 December 2021, 864,597 share options and 21,266,000 share options were exercised at the subscription price of HK\$0.729 per share and HK\$0.808 per share respectively, and a total of 22,130,597 ordinary shares were issued, giving gross proceeds in a total of approximately HK\$17,813,000.
- (b) On 2 June 2022, 37,912,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 16 May 2022 at a placing price of HK\$3.05 per share, giving gross proceeds of approximately HK\$115,632,000.
- On 14 October 2022, 26,808,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 21 September 2022 at a placing price of HK\$3.5 per share, giving gross proceeds of HK\$93,828,000.
- (c) During the year ended 31 December 2022, 1,465,193 share options and 4,100,000 share options were exercised at the subscription price of HK\$0.729 per share and HK\$0.808 per share respectively, and a total of 5,565,193 ordinary shares were issued, giving gross proceeds in a total of approximately HK\$4,381,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. RESERVES OF THE COMPANY

The Company

	Share premium HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021	803,143	9,428	26,319	(759,236)	79,654
Profit and total comprehensive income for the year	-	-	-	5,203	5,203
Exercise of share options	22,545	(5,838)	-	-	16,707
At 31 December 2021 and at 1 January 2022	825,688	3,590	26,319	(754,033)	101,564
Loss and total comprehensive expense for the year	-	-	-	(37,741)	(37,741)
Issue of shares by placement	206,224	-	-	-	206,224
Share issue expenses	(6,284)	-	-	-	(6,284)
Exercise of share options	5,589	(1,486)	-	-	4,103
At 31 December 2022	1,031,217	2,104	26,319	(791,774)	267,866

26. SHARE OPTION SCHEME

The Company's adopted a share options scheme ("2011 Scheme") pursuant to a shareholders' resolution passed on 27 June 2011. The purpose of the 2011 Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the 2011 Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the 2011 Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, unless with prior approval from the Company's shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 on the acceptance. Options may be exercised in accordance with the terms of the 2011 Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the 2011 Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. SHARE OPTION SCHEME (Continued)

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option and (iii) the nominal value of the Share on the date of offer of the option.

The 2011 Scheme commencing on 27 June 2011 was terminated pursuant to a shareholders' resolution passed on 13 May 2021. On the same date, the Company adopted a new share option scheme ("2021 Scheme") pursuant to a shareholders' resolution. The terms of the 2021 Scheme are in all material respects similar to the terms of the 2011 Scheme. The maximum number of Shares that may be issued pursuant to options granted under the 2021 Scheme is 133,271,400 Shares, being 10% of the Company's issued share capital as at the date of adoption of the 2021 Scheme. As at 31 December 2022, no share option under the 2021 Scheme was granted. As at the beginning of the year and as at the end of the year ended 31 December 2022 the number of Shares that may be issued pursuant to options granted under the 2021 Scheme is 133,271,400 Shares. The 2021 Scheme has a remaining life of approximately eight years as at the date of this annual report.

The following table disclosed details of the Company's share options under the 2011 Scheme held by directors, employees and other participants and the movements during the year ended 31 December 2022.

Grantee	Date of grant	Exercise price HK\$	Exercisable period up to	At	Granted	Exercised	Expired	Lapsed	Outstanding at
				1 January 2022	during the year	during the year	during the year	during the year	31 December 2022
<i>Executive Directors</i>									
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	(776,597)	-	-	-
<i>Non-executive Directors</i>									
Leung Ka Fai	15/11/2016	0.808	15/11/2026	3,000,000	-	(1,500,000)	-	-	1,500,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	2,600,000	-	(2,600,000)	-	-	-
Ma Xiaojiu	29/8/2017	2.250	29/8/2027	1,200,000	-	-	-	-	1,200,000
<i>Independent Non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Subtotal				8,376,597	-	(4,876,597)	-	-	3,500,000
<i>Employees and other participants</i>									
	17/6/2015	0.729	16/6/2025	688,596	-	(688,596)	-	-	-
	15/11/2016	0.808	15/11/2026	500,000	-	-	-	-	500,000
Total				9,565,193	-	(5,565,193)	-	-	4,000,000

For the year ended 31 December 2022, 5,565,193 share options were exercised, no share options were granted, lapsed or expired under the 2011 Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. SHARE OPTION SCHEME (Continued)

The following table disclosed details of the Company's options under the 2011 Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2021.

Grantee	Date of grant	Exercise price HK\$	Exercisable period up to	At 1 January 2021	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2021
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.729	16/6/2025	776,597	-	(776,597)	-	-	-
	15/11/2016	0.808	15/11/2026	5,300,000	-	(5,300,000)	-	-	-
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	(5,300,000)	-	-	-
<i>Non-executive Directors</i>									
Leung Ka Fai	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	3,000,000	-	(400,000)	-	-	2,600,000
Ma Xiaoqiu	29/8/2017	2.250	29/8/2027	1,200,000	-	-	-	-	1,200,000
<i>Independent Non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Aimin	15/11/2016	0.808	15/11/2026	800,000	-	(800,000)	-	-	-
Zhang Qiang	15/11/2016	0.808	15/11/2026	800,000	-	(800,000)	-	-	-
Subtotal				21,753,194	-	(13,376,597)	-	-	8,376,597
Employees and other participants	17/6/2015	0.729	16/6/2025	776,596	-	(88,000)	-	-	688,596
	15/11/2016	0.808	15/11/2026	9,166,000	-	(8,666,000)	-	-	500,000
Total				31,695,790	-	(22,130,597)	-	-	9,565,193

For the year ended 31 December 2021, 22,130,597 share options were exercised, no share options were granted, lapsed or expired under the 2011 Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (“MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employee are subject to a maximum contribution of HK\$1,500 per month with effect from 1 June 2014.

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

The total cost charged to profit or loss of approximately HK\$561,000 (2021: approximately HK\$521,000) represents contribution payable to these schemes by the Group in respect of the current year. As at 31 December 2022 and 2021, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

28. RELATED PARTY AND CONNECTED TRANSACTIONS

Saved as disclosed in elsewhere to the consolidated financial statements, the Group had the following significant related party transactions:

(a) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2022 HK\$'000	2021 HK\$'000
Fees	3,420	3,420
Salaries, allowances and other benefits	4,524	3,772
Discretionary bonuses	664	570
Retirement benefits scheme contributions	74	69
	8,682	7,831

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28. RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Related party transactions

The Group had the following transaction with related party during the year

	2022 HK\$'000	2021 HK\$'000
Paid to related party:		
Donation	100	–

During the year ended 31 December 2022, the Group made charitable donations totalling HK\$100,000 to China Investment Fund International Charitable Foundation Limited, a company limited by guarantee and founded for charitable purposes under Hong Kong laws and registered pursuant to Section 88 of the Inland Revenue Ordinance of the laws of Hong Kong. As the founders/directors of the charitable foundation are the executive directors of the Company, the charitable foundation falls within the meaning of a “connected person” under the Listing Rules. All the independent non-executive directors of the Company, having noted the amount of the donation made by the Group and that the donation was made against the background of increasing ESG emphasis of the investment community, are of the view that the donation made to the charitable foundation is fair, reasonable and in the interests of the Company as a whole. The donation falls within the de minimis exception in Rule 14A.76(1) of the Listing Rules and is fully exempt from the disclosure requirements in the Listing Rules.

(c) Investment management fee

On 4 July 2021, the Company and Tianhe Quant Asset Management Limited (“Tianhe”), a wholly-owned subsidiary of the Company, entered into an investment management agreement pursuant to which Tianhe shall act as the investment manager of the Company for the period up to 4 July 2023. Under the investment management agreement, the investment management fee payable to the investment manager was HK\$220,000 per month together with expenses reimbursement up to a maximum amount of HK\$1,390,000, HK\$2,840,000 and HK\$1,450,000 respectively for each of the years ending 31 December 2021, 2022 and 2023. The investment manager is defined as a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. As Tianhe (the investment manager) is a wholly-owned subsidiary of the Company, the transaction with Tianhe is eliminated on consolidation and will not be considered a connected transaction under the Listing Rules.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from that of the previous year.

The capital structure of the Group consists of debt, which includes the borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Financial assets at FVTPL	604,588	773,179
Financial assets at amortised cost	109,050	135,296
	713,638	908,475
Financial liabilities		
Financial liabilities at amortised cost	120,770	187,077

(b) Financial risk management objectives and policies

(i) Equity price risk

The Group is exposed to equity price risk mainly through its investments in listed and unlisted equity securities. The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed by the Board of Directors in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed and PRC listed financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the management will monitor a portfolio of the Group's investments on a regular basis. In addition, the Group's management monitors the price risk and will consider hedging the risk exposure if necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2021: 15%), loss for the year ended 31 December 2022 would decrease/increase by approximately HK\$90,688,000 (2021: profit for the year would increase/decrease by approximately HK\$115,977,000) which is mainly due to the changes in fair value of financial assets at FVTPL.

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Credit risk arises from contractual cash flows of financial assets at FVTPL, financial assets at amortised cost and deposits with banks and financial institutions.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase only when the securities have been received by broker. The Group reviews and monitors the credit concentration of investments on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of the Company's investment in listed securities and liquid funds deposited with several banks and financial institutions with high credit ratings, the Group does not have any other significant concentration of credit risk.

(iii) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's listed securities are considered readily realisable, as all such securities are listed in Hong Kong and the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	On demand/ within 12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
2022					
Non-derivative financial liabilities					
Accruals and other payables	9,452	-	-	9,452	9,452
Borrowings	60,420	33,573	10,771	104,764	93,972
Lease liabilities	9,261	7,935	1,339	18,535	17,346
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	16,191	-	-	16,191	16,191
	95,324	41,508	12,110	148,942	136,961
2021					
Non-derivative financial liabilities					
Accruals and other payables	8,390	-	-	8,390	8,390
Borrowings	130,401	42,674	11,380	184,455	168,091
Lease liabilities	8,570	2,443	-	11,013	10,596
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	17,724	-	-	17,724	17,724
	165,085	45,117	11,380	221,582	204,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iv) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's exposure to risk of changes in market interest rates primarily related to the Group's interest-bearing bank deposits with floating rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2021: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 100 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would decrease/increase by approximately HK\$1,010,000 (2021: profit for the year would increase/decrease by approximately HK\$1,119,000). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

(v) Foreign currency risk

The functional currency of the Group is HK\$ in which most of the transactions are denominated. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have any foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated financial assets at the reporting date are as follows:

	ASSETS	
	2022 HK\$'000	2021 HK\$'000
Renminbi ("RMB")	131,995	174,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(v) Foreign currency risk (Continued)

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK\$, the effects in (loss) profit for the year are as follows:

	Impact of RMB	
	2022 HK\$'000	2021 HK\$'000
Increase/decrease in (loss) profit for the year	6,600	8,720

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Fair value hierarchy

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2022				
Financial assets at FVTPL (Note)				
– Listed equity securities	604,588	–	–	604,588
At 31 December 2021				
Financial assets at FVTPL (Note)				
– Listed equity securities	773,179	–	–	773,179

Note: The fair value of listed equity securities classified as Level 1 is determined by the closing price quoted in active markets.

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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.

	Interest payable from financing activities	Borrowings	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	3,860	220,356	21,924	246,140
Changes from financing cash flows:				
Raised	–	35,220	–	35,220
Repayment	–	(93,000)	–	(93,000)
Capital element of lease rentals paid	–	–	(10,767)	(10,767)
Interest element of lease rentals paid	–	–	(1,142)	(1,142)
Other changes:				
Interest expenses	12,606	5,494	1,142	19,242
Interest paid	(13,605)	–	–	(13,605)
Termination	–	21	(569)	(548)
Exchange adjustments	–	–	8	8
At 31 December 2021 and 1 January 2022	2,861	168,091	10,596	181,548
Changes from financing cash flows:				
Raised	–	52,340	20,674	73,014
Repayment	–	(131,300)	–	(131,300)
Capital element of lease rentals paid	–	–	(12,254)	(12,254)
Interest element of lease rentals paid	–	–	(1,432)	(1,432)
Other changes:				
Interest expenses	10,372	4,841	1,432	16,645
Interest paid	(12,120)	–	–	(12,120)
Exchange adjustments	–	–	(1,670)	(1,670)
At 31 December 2022	1,113	93,972	17,346	112,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. (LOSS) GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, the Group disposed of its entire equity interests in 5 subsidiaries to an independent third party for an aggregate consideration of HK\$50,000, resulting in a net loss on disposal of HK\$190,000.

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	HK\$'000
Intangible asset	240
Net assets disposed of	240
Total consideration	(50)
Net loss on disposal	190

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	-
	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. (LOSS) GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

During the year ended 31 December 2021, the Group disposed of its entire equity interests in a subsidiary to an independent third party for a consideration of approximately HK\$26,839,000, resulting in a gain on disposal of approximately HK\$67,922,000.

The net assets of the subsidiary at the date of disposal were as follows:

	HK\$'000
Bank balances and cash	4
Net assets disposed of	4
Release of capital reserve	(38,839)
Release of exchange reserve	(2,248)
	(41,083)
Total consideration	(26,839)
Net gain on disposal	(67,922)

An analysis of net inflows of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration received	26,839
Cash and cash equivalents disposed of	(4)
	26,835

33. CAPITAL COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	16,191	17,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. LITIGATIONS

(1) High Court Action HCA 796 of 2016

A Writ of Summons with an Indorsement of Claim was issued on 29 March 2016 in the High Court of Hong Kong in HCA 796 of 2016 by Yang Yan as plaintiff against the Company and its former subsidiary, Grand Dragon Investment Development Limited ("**Grand Dragon**") as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by the Company on behalf of Grand Dragon to the plaintiff pursuant to the written equity transfer agreement between Grand Dragon and the plaintiff in relation to the failure to commence due diligence of the target company which the plaintiff claims is a repudiatory breach of the said agreement. The defendants have counterclaimed against the plaintiff (which action has been consolidated with High Court Action 796 of 2016) for, inter alia, an order for the return of the deposit of HK\$10,000,000 to the defendants.

Upon the Plaintiff's repeated failures to appear at Court for the case management conferences and to comply with various procedural directions, the Plaintiff's claim was formally struck out and the Company applied to the Court on 15 August 2022 for judgment and costs against the Plaintiff. The Plaintiff subsequently applied to the Court after the deadline to restore her claim, the date of which application has not yet been fixed by the Plaintiff. Pending resolution of the Plaintiff's application, the Plaintiff's claim remains struck out until further order of the Court.

(2) High Court Action Miscellaneous Proceedings HCMP 1102 of 2019 and HCMP 719 of 2019

These two actions relate to the issuance of ten bond notes issued by the Company to an individual, namely, Huang Qingzhan ("**Huang**") for the aggregate principal value of HK\$10 million due for repayment on 30 April 2023 ("**Bond Notes**"). Interest is payable on the Bond Notes on a bi-annual basis commencing 31 March 2016. The issue to be determined in HCMP 719 of 2019 related to whether the suspension of the Company's shares on 8 March 2019 entitled Huang to early redemption of the Bond Notes. The Company maintained that such suspension was not a breach of the terms of the Bond Notes. The issue to be determined in HCMP 1102 of 2019 related to whether the interest payment paid by the Company on the due date of 31 March 2016 to an account provided by Huang was made in accordance with the terms and conditions of the Bond Notes. The Company maintains the interest payment was duly paid on time.

On 19 March 2020, the Court delivered judgment in favour of the Company in HCMP 719 of 2019 and in favour of Huang in HCMP 1102 of 2019 with each party bearing its own costs.

The Company lodged an appeal on 7 May 2020 against the decision of the Court made on 19 March 2020 in relation to HCMP 1102 of 2019 under Civil Appeal No. 103 of 2020 (the "**Appeal**"). The Appeal was heard by the Court of Appeal on 16 December 2022. On 1 March 2023, the Court of Appeal handed down its decision allowing the Company's Appeal and dismissing the previous Order granted in favour of Huang in HCMP 1102 of 2019 with costs of the Appeal and costs in the court below awarded to the Company. The Court of Appeal confirmed, inter alia, that the Company had complied with its interest payment obligations under the Bond Notes and Huang was not entitled to early redemption of the Bond Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Interests in subsidiaries

	2022	2021
	HK\$'000	HK\$'000
Unlisted shares, at cost	25,870	25,870
Impairment loss recognised	–	–
	25,870	25,870
Amounts due from subsidiaries (note (b))	400,374	368,298
Impairment loss recognised	(166,214)	(166,214)
	234,160	202,084
Amounts due to subsidiaries (note (b))	(9,778)	(9,779)
Loans to subsidiaries (note (a))	214,855	155,211
Impairment loss recognised	(102,262)	(102,262)
	112,593	52,949

Notes:

- (a) Loans to subsidiaries are unsecured and repayable on demand. Interest is charged on the outstanding balance at 11% p.a. (2021: 7% p.a.).
- (b) Amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Interests in subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2022	2021	2022	2021	
Ace Innovator Limited	Republic of Vanuatu	US\$100	100%	100%	–	–	Investment holdings
China Investment Fund International Financial Group Limited	Hong Kong	HK\$100	100%	100%	–	–	Investment holdings
Deluxe Century Limited	Republic of Seychelles	US\$100	100%	100%	–	–	Investment holdings
Enrich Bloom Limited	Republic of Seychelles	US\$100	100%	100%	–	–	Investment holdings
Eternity Sky Limited	British Virgin Islands	US\$100	–	–	100%	100%	Investment holdings
Ever Gain Inc Limited	Hong Kong	HK\$100	100%	100%	–	–	Investment holdings
Final Destination Limited	British Virgin Islands	US\$100	–	–	100%	100%	Investment holdings
Flying Goddess Limited	British Virgin Islands	US\$100	100%	100%	–	–	Investment holdings
Foundation Tide Limited	Hong Kong	HK\$10,000	–	–	100%	100%	Holding a cross-boundary vehicle license
Globe Golden Rich Limited	Hong Kong	HK\$100	–	–	100%	100%	Investment holdings
Golden Trend China Limited	Hong Kong	HK\$100	–	–	100%	100%	Investment holdings
Good Charm Inc Limited	Hong Kong	HK\$100	–	–	100%	100%	Holding a cross-boundary vehicle license
Hong Kong Golden Day Investment Limited	Hong Kong	HK\$9,000,100	–	–	100%	100%	Inactive
Hong Kong Toprich Investment Limited	Hong Kong	HK\$100	–	–	100%	100%	Securities investment
Joyful Diamond Limited	Hong Kong	HK\$100	–	–	100%	100%	Administration
Kingdom Stage Limited	Republic of Seychelles	US\$100	–	–	100%	100%	Investment holdings
King Hope Group Limited	Hong Kong	HK\$100	–	–	100%	100%	Administration
Super Star Investment Holdings Limited	Republic of Seychelles	US\$100	100%	100%	–	–	Investment holdings
Permanent Act Limited	Republic of Seychelles	US\$100	–	–	100%	100%	Administration
Prime Team Group Limited	Hong Kong	HK\$100	–	–	100%	100%	Administration
Tianhe Quant Asset Management Limited	Hong Kong	HK\$19,917,602	100%	100%	–	–	Investment management
深圳市天德啟泰股權投資基金管理有限公司 (Note)	PRC	RMB15,000,000	–	–	100%	100%	Administration
深圳華創金盛投資諮詢有限公司 (Note)	PRC	RMB30,000,000	–	–	100%	100%	Securities investment
深富盛創(深圳)貿易有限公司 (Note)	PRC	RMB30,000,000	–	–	100%	100%	Inactive
金創中海(深圳)供應鏈管理有限公司 (Note)	PRC	RMB30,000,000	–	–	100%	100%	Inactive

Note: The subsidiaries are established as wholly foreign owned enterprise under PRC law.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Investments in subsidiaries	25,870	25,870
Property, plant and equipment	53	92
Right-of-use assets	2,375	10,408
Rental and utility deposit	–	4,600
	28,298	40,970
Current assets		
Prepayments, deposits and other receivables	5,827	2,156
Loans to a subsidiary	112,593	52,949
Amounts due from subsidiaries	234,160	202,084
Bank balances and cash	70,747	67,673
	423,327	324,862
Current liabilities		
Accruals and other payables	6,568	8,302
Amounts due to subsidiaries	9,778	9,779
Borrowings	55,440	118,316
Lease liabilities	2,427	8,169
	74,213	144,566
Net current assets	349,114	180,296
Total assets less current liabilities	377,412	221,266
Non-current liabilities		
Borrowings	38,532	49,775
Lease liabilities	–	2,427
	38,532	52,202
Net assets	338,880	169,064
Capital and reserves		
Share capital (Note 24)	71,014	67,500
Reserves (Note 25)	267,866	101,564
Total equity	338,880	169,064

The Company's statement of financial position was approved and authorised by the board of directors on 28 March 2023 and is signed on its behalf by:

Luk Hong Man, Hammond
Director

Zhang Xi
Director

FIVE YEARS FINANCIAL SUMMARY

	2022 HK\$'000	For the year ended 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Results					
Revenue	252	480	950	1,317	36,612
(Loss) profit before tax	(331,187)	92,018	353,384	(273,474)	148,021
Taxation	-	73,112	(69,991)	22,703	(19,465)
(Loss) profit for the year attributable to owners of the Company	(331,187)	165,130	283,393	(250,771)	128,556
(Loss) earnings per share					
– Basic (HK cents)	(23.97)	12.36	21.88	(20.28)	10.51
– Diluted (HK cents)	(23.97)	12.27	21.36	(20.28)	10.24

	2022 HK\$'000	As at 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Assets and Liabilities					
Total assets	1,217,462	1,459,339	1,428,338	374,203	817,813
Total liabilities	(120,770)	(187,077)	(319,128)	(286,271)	(448,992)
	1,096,692	1,272,262	1,109,210	87,932	368,821
Share capital	71,014	67,500	66,394	61,836	61,836
Reserves	1,025,678	1,204,762	1,042,816	26,096	306,985
Equity attributable to owners of the Company	1,096,692	1,272,262	1,109,210	87,932	368,821