



## Lerado Financial Group Company Limited

(Incorporated in Bermuda with limited liability)  
Stock Code : 1225

The cover design for the 2022 Annual Report. It features a background image of a person's hands holding a smartphone over a desk with papers and a pen. A large, stylized green and yellow wave graphic sweeps across the bottom right. The text "2022 ANNUAL REPORT" is written in white, bold, sans-serif font, following the curve of the wave. The overall color palette is dominated by green and yellow, with a blurred cityscape visible in the background.

2022 ANNUAL REPORT

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## Corporate Information

### EXECUTIVE DIRECTORS

Mr. CHEN Chun Chieh  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Tat Chi Michael  
Mr. YANG Haihui  
Mr. LAM Williamson

### AUDIT COMMITTEE

Mr. YU Tat Chi Michael (*Chairman*)  
Mr. LAM Williamson  
Mr. YANG Haihui

### REMUNERATION COMMITTEE

Mr. YU Tat Chi Michael (*Chairman*)  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken  
Mr. LAM Williamson  
Mr. YANG Haihui

### NOMINATION COMMITTEE

Ms. HO Kuan Lai (*Chairlady*)  
Mr. CHEN Chun Chieh  
Mr. LAM Williamson  
Mr. YU Tat Chi Michael  
Mr. YANG Haihui

### COMPANY SECRETARY

Mr. MAN Yun Wah

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

Flat F&G, 4/F., Golden Sun Centre,  
59-67 Bonham Strand West,  
Sheung Wan, Hong Kong

### PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### BRANCH SHARE REGISTRAR

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

### STOCK CODE

Hong Kong Stock Exchange: 1225

### COMPANY WEBSITE

[www.lerado.com](http://www.lerado.com)

### PRINCIPAL BANKERS

Chong Hing Bank Limited  
The Hongkong and Shanghai Banking Corporation  
Limited

### AUDITOR

Elite Partners CPA Limited

## Financial Highlights

|                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------------------------------------|------------------|------------------|------------------|
| Revenue                                      | 218,238          | 215,287          | 207,831          |
| Loss before taxation                         | (345,563)        | (62,894)         | (21,026)         |
| As a percentage of revenue                   | (158.3%)         | (29.2%)          | (10.1%)          |
| Loss attributable to owners of the company   | (367,073)        | (62,715)         | (12,072)         |
| As a percentage of revenue                   | (168.2%)         | (29.1%)          | (5.8%)           |
| Total assets                                 | 1,682,653        | 2,031,070        | 2,113,199        |
| Total capital employed*                      | 1,470,498        | 1,842,566        | 1,931,467        |
| Equity attributable to owners of the company | 681,162          | 1,055,516        | 1,114,113        |
| Loss per share (HK cents)                    | 159.37           | 28.53            | 5.98             |
| Current ratio                                | 8.0              | 11.3             | 9.7              |
| Gearing ratio                                | 116.0%           | 74.5%            | 73.3%            |

\* Total capital employed includes shareholders' equity and interest-bearing debts.

# Management Discussion and Analysis

## BUSINESS REVIEW

Lerado Financial Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

### Medical Products and Plastic Toys Business

In terms of products, sales revenue from medical products for the year ended 31 December 2022 was approximately HK\$85.5 million, representing an increase of approximately 22.0% over last year and accounted for 92.0% of the total revenue from medical products and plastic toys business. The improvement was mainly due to the higher demand and more orders from overseas customers for powered scooters. Sales revenue from plastic toys decreased by approximately 40.1% for the year ended 31 December 2022 to approximately HK\$7.4 million mainly due to keen market competition.

### Securities Brokerage, Margin Financing, Underwriting and Placements and Assets Management Business

Black Marble Securities Limited, a wholly-owned subsidiary of the Company (“**Black Marble Securities**”) has generated HK\$3.2 million revenue for the year ended 31 December 2022 (2021: HK\$7.0 million), representing 1.5% of the total revenue of the Group. It was mainly contributed by the interest income from the margin client of HK\$2.0 million for the year ended 31 December 2022 (2021: HK\$6.8 million).

The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. However, the assets management business has not yet generated any revenue during the year ended 31 December 2022 due to the weak market condition and the decline of investor enthusiasm.

### Money Lending and Finance Leasing

In respect of the money lending business and finance leasing business, the Group targeted on variety of customers including individuals and corporate customers by providing secured or unsecured loans. The source of customers was mainly past customers or referrals by third parties. The Company sourced customers through this channel because it was a direct and authentic way to spread word about our business and it also reduced the marketing cost.

To become a customer of the Company (including corporate customers and individual customer), it is required to disclose in the loan application a list of information including but not limited to the size, term and use of the loan, whether the loan will be guaranteed or secured, and capability of repayment. Regarding corporate customers, we require the customer to provide various types of documentation, such as a copy of business registration certificate, certificate of incorporation, register of members and directors, articles of association and latest of the audited report or management account.

## Management Discussion and Analysis

Regarding individual customers, we require the customer to provide various types of documentation, such as a copy of the identification card of the borrower for individual customers, or asset or income proof. As at 31 December 2022, the amount of secured loans was approximately HK\$112.1 million and the amount of unsecured loans was HK\$1,088.7 million. In respect of the portion of secured or unsecured loans, it is expected that the loan portfolio will shift to more secured loan focused in the future when considering new loan applications. The source of funds for the money lending business is funded by the internal resources of the Group.

Lerado Finance Limited and BlackMarble Capital Limited principally engage in money lending business in Hong Kong and are licensed money lenders in Hong Kong under the Money Lenders Ordinance. We also have a business license to conduct the finance leasing business in the PRC. The terms of a loan were determined on a case-by-case basis following arm's length negotiation between the Company and the borrowers, taking into account the factors such as the borrowers' requirements, the credit risks and prevailing market conditions. Regarding monitoring the credit risk of the long-term loans, the Company closely reviewed and monitored the loan repayment status subsequent to the drawdown of loans on a regular basis to ensure that loan repayments were punctual and past due accounts were handled efficiently. When there were past due accounts, the Group would take actions including discuss the repayment terms or settlement proposals with the borrower and if unsuccessful, legal action would be taken against the borrower. The Group manages credit risk through review and credit approval and post-transaction monitoring processes which are performed by management. Before granting the loans and entering into the finance lease agreements, the credit risk assessment has been performed. The credit risk assessment is including but not limited to the following procedures:

- (i) we will conduct a background search through the Companies Registry and the internal KYC system, in relation to the shareholding and information of the management of the corporate or individual customers, if necessary. We will conduct a litigation search in relation to the borrower through the independent search agent, if necessary;
- (ii) the Company understands the business operations of the client through including but not limited to the interview, the statutory record provided, the financial information provided;
- (iii) reviewing the corporate documents of the potential client including but not limited to the constitution documents and financial statements;
- (iv) we perform the assessment on our customers including but not limited to monitor the value of collateral and check any default in repayment; and
- (v) in case of security being provided as collateral for the loan, assessing the validity and value of the security.



## Management Discussion and Analysis

The Company adopted the procedures on monitoring loan repayment and recovery which involve (a) the Company's subsidiary operating the money lending business is required to submit management accounts to the Company and report on the financial and business performance during meeting biannually; and (b) it is required to report the repayment status of all loans to the Company bi-annually and report for any material defaulted loans immediately upon occurrence; We will assess the periodic review on loan portfolio by considering the outstanding balance, the total interest and principal paid, the value of collateral and any default in repayment. We will monitor the borrower through the latest financial information provided. In respect of delinquent loans, the standard demand letters will be issued. If no satisfactory response is received, formal legal demand letters will be issued. Thereafter formal legal proceedings may be issued where appropriate.

The Company has complied with requirements set out in Chapter 14 and/or 14A of the the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") when it granted the loans to each of the borrower(s), whose loan(s) was still outstanding as at 31 December 2022.

The Company has not had an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrower(s) whose loan(s) was still outstanding as at 31 December 2022.

### PROSPECTS

The Group has endeavored to develop and expand the financial sectors, including, money lending business, financing leasing and securities brokerage business in Hong Kong and the PRC. In order to further expand the business, the Company will focus on the existing businesses and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors.

However, the outbreak of COVID-19 has been having an adverse effect in the market and the worldwide economy. It would likely reduce the investor enthusiasm and our businesses in Hong Kong and the PRC are expected to be very challenging in the coming years. In light of the above, the Group will adopt cautious flexible strategy to face the market changes. Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep focus on the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group's business.

# Management Discussion and Analysis

## FINANCIAL REVIEW

Consolidated revenue of the Group for the year ended 31 December 2022 was approximately HK\$218.2 million (2021: HK\$215.3 million), representing an increase of approximately 1.4% over last year. The increase in the consolidated revenue was mainly due to the increase of medical products and plastic toys business, of which the increment was HK\$10.4 million.

Gross profit margin of the Group for the year was approximately 66.6%, representing a decrease of approximately 2.0 percentage points as compared to the gross profit margin of approximately 68.6% in the last year. Loss of the Group for the year ended 31 December 2022 was approximately HK\$367.6 million (2021: HK\$65.9 million) and loss for the year attributable to owners of the Company was approximately HK\$367.1 million (2021: HK\$65.7 million). The increase of loss was mainly due to the impairment loss recognised on loan receivables of approximately HK\$288.2 million for the year ended 31 December 2022.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 31 December 2022 increased by approximately HK\$25.2 million to approximately HK\$175.0 million as compared to approximately HK\$149.8 million as at 31 December 2021. The Group has bond payable of approximately HK\$789.7 million (2021: HK\$786.9 million) as at 31 December 2022. As at 31 December 2022, the Group had net current assets of approximately HK\$1,397.1 million (31 December 2021: HK\$1,758.1 million) and a current ratio of approximately 8.0 (31 December 2021: 11.3). The Group's gearing ratio as at 31 December 2022 was approximately 116.0% (2021: 74.5%). The gearing ratio was computed by the total borrowings and bonds payable over the equity of the Group.

## SIGNIFICANT INVESTMENTS

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2022, there were no significant investments held by the Group.

## DISCONTINUED OPERATION – SALES OF GARMENT ACCESSORIES

On 1 April 2021, the Company entered into the sales and purchase agreement with the purchaser to dispose of its 100% equity interest of Brilliant Summit Limited, a wholly-owned subsidiary of the Company, which were principally engaged in trading and sourcing of garment accessories. The transaction was completed on 8 April 2021 at a consideration of HK\$650,000.

## DISPOSAL OF SUBSIDIARIES

On 14 April 2021, the Company entered into a sale and purchase agreement with the purchaser to dispose of its 100% equity interest in Treasure Boom and on 4 September 2021, the Company entered into a sale and purchase agreement with the purchaser to dispose of its 100% equity interest in Smart Success. For details please refer to note 36 of this financial statement.



# Management Discussion and Analysis

## PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2022.

## EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in United States dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

## EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

## CONTINGENT LIABILITY

As at 31 December 2022, the Company did not have any significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed a total workforce of around 210 staff members, of which about 180 worked in the PRC and the remaining in Hong Kong. The gender ratio of the Group's workforce (including senior management) was 60% female to 40% male. The Group shall continue to take into account diversity perspectives including gender diversity in its hiring of employees from time to time. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

## Directors' Profile

### EXECUTIVE DIRECTORS

**Mr. CHEN Chun Chieh ("Mr. Chen")**, aged 47, was appointed as an executive director of the Company (the "Director") on 3 April 2008. Mr. Chen has been working for the Group since 2002, and is currently an executive Director, a member of the nomination committee of the Company (the "Nomination Committee") and a director of certain subsidiaries of the Company. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

**Mr. LEUNG Kam Por, Ken ("Mr. Leung")**, aged 43, was appointed as an executive Director on 28 January 2019. Mr. Leung is currently an executive Director, a member of the remuneration committee of the Company (the "Remuneration Committee") and a director of certain subsidiaries of the Company. Mr. Leung holds a bachelor of engineering degree from Hong Kong Polytechnic University. Mr. Leung held a number of senior positions in various organizations including management consulting firm, licensed corporation and conglomerate. He has over 15 years of senior managerial experience of which 4 years working for licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance, and 3 years working as a director of a sizable company which mainly carries on money lending business. He also has extensive experience in different industries and is specializing in manufacturing, supply chain, finance, money lending, business consultancy and general management.

**Ms. HO Kuan Lai ("Ms Ho")**, aged 51, was appointed as an executive Director on 22 December 2017. Ms Ho is currently an executive Director, the chairlady of the Nomination Committee and a member of the Remuneration Committee. Ms. Ho is currently an associate member of the Singapore Institute of Chartered Secretarial & Administrator. She had been a non-executive director of Laura Ashley Holdings (a company listed on the main board of the London Stock Exchange, stock code: ALY) between 17 June 2013 and 3 August 2014, and an executive director of Morning Star Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 542) between 1 February 2010 and 7 October 2010 and previously held senior management position of a sizable group of companies in Malaysia and United Kingdom. Ms. Ho has abundant experience in management of sizable group of companies.

## Directors' Profile

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. YU Tat Chi Michael ("Mr. Yu")**, aged 58, was appointed as an independent non-executive Director on 6 February 2018. Mr. Yu is currently an independent non-executive Director, a member of the Nomination Committee, the chairman of the Remuneration Committee and the chairman of the audit committee of the Company (the "Audit Committee"). Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in several listed companies in Hong Kong. He was an independent non-executive director of EVOC Intelligent Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2308) during 30 May 2016 and 21 May 2021. He is currently an independent non-executive director of Golden Resources Development International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 677) since 30 August 2012, Applied Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 519) since 14 September 2016, China Netcom Technology Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8071) since 31 August 2017, Harbour Digital Asset Capital Limited (a company listed on the Main Board of the Stock Exchange, stock code: 913) since 17 August 2020 and WT Group Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8422) since 20 September 2021. Mr. Yu has extensive experience in the field of accounting. The Company considers that Mr. Yu can provide independent and comprehensive advice to the Company.

**Mr. YANG Haihui ("Mr. Yang")**, aged 31, was appointed as an independent non-executive Director on 6 February 2018. Mr. Yang is currently an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Yang holds a bachelor of software engineering from the Beijing Normal University, Zhuhai. He currently serves managerial position of Jinshang Capital Investment Management Co. Ltd., primarily responsible for risk management in terms of investment, lending and product portfolio. He has extensive experience in risk management. The Company considers that Mr. Yang can provide independent advice to the Company and enhance the risk management of the Company.

**Mr. LAM Williamson ("Mr. Lam")**, aged 48, was appointed as an independent non-executive Director on 20 July 2018. Mr. Lam is currently an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Lam is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of the CPA (Australia). He holds a bachelor of business degree from Monash University, Australia and a master of professional accounting degree from the Hong Kong Polytechnic University. Mr. Lam had held directorships and senior finance positions in various listed companies in Hong Kong. Mr. Lam is currently an independent non-executive director of Elife Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 223) since 1 January 2011.

# Corporate Governance Report

The board (the “Board”) of Directors is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 December 2022.

## CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

## THE BOARD

### Responsibilities

The Board is responsible for overseeing the overall development of the Company’s business with the objective of enhancing shareholders’ value including setting and approving the Company’s strategic plan, considering substantial investments, reviewing the Group’s financial performance and developing and reviewing the Group’s policies and practices on corporate governance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All the Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors’ and officers’ liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

The Directors are aware of the requirements under the applicable regulations and the Listing Rules for the handling and dissemination of inside information. All the inside information identified by the Directors shall be published and disclosed to the public timely through the Company’s publications and communications, unless the information falls within safe harbours as prescribed in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

# Corporate Governance Report

## Board Composition

As at the date of this annual report, the Board comprises 3 executive Directors and 3 independent non-executive Directors.

The composition of the Board during the year ended 31 December 2022 and up to the date of this annual report is set out below:

### ***Executive Directors***

Mr. CHEN Chun Chieh  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken

### ***Independent Non-Executive Directors***

Mr. YU Tat Chi Michael  
Mr. YANG Haihui  
Mr. LAM Williamson

The biographical details of the current Board members are set out under the section headed “Directors’ Profile” on pages 9 to 10 of this report. Each of the independent non-executive Directors is appointed for a term of three years.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All the Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

# Corporate Governance Report

## Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all the Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at the meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

## BOARD MEETINGS

### Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance.

Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and board committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or board committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including company secretary of the Company (the "Company Secretary") attend all regular Board meetings and where necessary, other Board and board committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and board committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and final versions are open for the Directors' inspection.

The Company's bye-laws contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.



# Corporate Governance Report

## Directors' Attendance Records

During the year ended 31 December 2022, 5 board meetings were held for, among others, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each Director at the Board meetings, the adjourned special general meeting (the "Adjourned SGM") and the annual general meeting (the "AGM") during the year ended 31 December 2022 are set out below:

| Name of Director       | Attendance/Number of Meetings |               |     |
|------------------------|-------------------------------|---------------|-----|
|                        | Board Meetings                | Adjourned SGM | AGM |
| Mr. CHEN Chun Chieh    | 2/5                           | 0/1           | 0/1 |
| Ms. HO Kuan Lai        | 5/5                           | 1/1           | 1/1 |
| Mr. LEUNG Kam Por Ken  | 5/5                           | 1/1           | 1/1 |
| Mr. YU Tat Chi Michael | 5/5                           | 1/1           | 1/1 |
| Mr. YANG Haihui        | 3/5                           | 0/1           | 1/1 |
| Mr. LAM Williamson     | 5/5                           | 1/1           | 1/1 |

## Directors' Training

The Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the Directors to update and refresh the Directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the Directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the Directors' awareness of good corporate governance practices.

Newly appointed Director will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Company's structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarize with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Company.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

# Corporate Governance Report

Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2022.

## DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All the Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the senior management for the discharge of its responsibilities.

## BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three board committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the Shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, the Remuneration Committee and the Audit Committee is provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances at the Company's expenses.

### Nomination Committee

As at the date of this annual report, the Nomination Committee comprises 5 members, namely Ms. HO Kuan Lai, Mr. CHEN Chun Chieh, Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson, the majority of which are independent non-executive Directors, with Ms. HO Kuan Lai acting as the chairlady.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of the Directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee is also responsible to review the board diversity policy of the Company (the "Board Diversity Policy"), as appropriate; review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

## Corporate Governance Report

During the year ended 31 December 2022, the Nomination Committee was primarily responsible, among others, for:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- assessing the independence of the independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for the Directors and, in particular, the chairman of the Board and the CEO of the Company; and
- reviewing the Board Diversity Policy and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the websites of the Stock Exchange and the Company.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year ended 31 December 2022, details of attendance are set out below:

| Nomination Committee Members | Attendance/<br>Number of Meeting |
|------------------------------|----------------------------------|
| Mr. CHEN Chun Chieh          | 0/1                              |
| Ms. HO Kuan Lai              | 1/1                              |
| Mr. YU Tat Chi Michael       | 1/1                              |
| Mr. YANG Haihui              | 1/1                              |
| Mr. LAM Williamson           | 1/1                              |

### Board Diversity Policy

The Company has a Board Diversity Policy which sets out its approach to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

# Corporate Governance Report

## Nomination Policy

The Board has a nomination policy which sets out the procedures and criteria for the selection, appointment and reappointment of the Directors. In evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

## Remuneration Committee

As at the date of this report, the Remuneration Committee comprises 5 members, namely Mr. YU Tat Chi Michael, Ms. HO Kuan Lai, Mr. LEUNG Kam Por Ken, Mr. YANG Haihui and Mr. LAM Williamson, the majority of which are independent non-executive Directors, with Mr. YU Tat Chi Michael acting as the chairman.

The Remuneration Committee is responsible for, among others, making recommendations to the Directors' remuneration and other benefits. The remuneration of all the Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Its written terms of reference are in line with the provisions of the CG Code.

During the year ended 31 December 2022, the Remuneration Committee was primarily responsible, among others, for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- recommending to the Board the specific remuneration packages of all the executive Directors and senior management members of the Company;
- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time; and
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held one meeting during the year ended 31 December 2022 and the details of attendance are set out below:

| Remuneration Committee Members | Attendance/<br>Number of Meeting |
|--------------------------------|----------------------------------|
| Ms. HO Kuan Lai                | 1/1                              |
| Mr. LEUNG Kam Por Ken          | 1/1                              |
| Mr. YU Tat Chi Michael         | 1/1                              |
| Mr. YANG Haihui                | 1/1                              |
| Mr. LAM Williamson             | 1/1                              |

# Corporate Governance Report

## Directors Remuneration Policy

The Company has adopted a director remuneration policy, it sets out the general principles which guide the Group to deal with the remuneration matters. This remuneration policy aims to provide a fair market level of remuneration to retain and motivate high quality directors, senior management of the Group and attract experienced people of high calibre to oversee the business and development of the Group.

## Audit Committee

As at the date of this annual report, the Audit Committee comprises 3 members, namely Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson, all of whom are independent non-executive Directors, with Mr. YU Tat Chi Michael acting as the chairman.

The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2022, the Audit Committee was primarily responsible among others, for:

- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- reviewing and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implement policy on the engagement of an external auditor to supply non-audit services;
- monitoring integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, internal control and risk management systems;
- discussing with management the system of internal controls and risk management and ensuring that management has discharged its duty to have an effective internal control system and risk management;
- reviewing the Group's financial and accounting policies and practices; and
- reviewing the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of internal controls and risk management and management's response, and ensuring that the Board provides a timely response to the issues raised.

## Corporate Governance Report

The Audit Committee held 2 meetings during the year ended 31 December 2022 and the details of attendance are set out below:

| Audit Committee Members | Attendance/<br>Number of Meeting |
|-------------------------|----------------------------------|
| Mr. YU Tat Chi Michael  | 2/2                              |
| Mr. YANG Haihui         | 2/2                              |
| Mr. LAM Williamson      | 2/2                              |

### Corporate Governance Functions

During the year ended 31 December 2022, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

## ACCOUNTABILITY AND AUDIT

### Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.



# Corporate Governance Report

## Risk Management and Internal Controls

During the year ended 31 December 2022, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has also engaged an external professional firm for the purpose of conducting internal audit function, who has conducted a review of the Group's operational control and risk management.

## WHISTLEBLOWING POLICY AND ANTI-CORRUPTION POLICY

The Company has formulated a whistleblowing policy which allows all staff and independent third parties, including customers, suppliers and contractors, to report any possible improprieties, misconducts, malpractices or irregularities in matters of financial reporting, internal control or other matters to the Board or the Audit Committee anonymously. The Group will handle the reports and complaints with care and will treat the whistleblower's concerns fairly and properly. Any person who is found to have victimized or retaliated against those who have raised concerns under this policy will subject to disciplinary sanctions.

The Group has adopted an anti-corruption policy on a zero-tolerance basis for any form of corruption, including bribery and extortion, fraud and money laundering, and promise to operate our business in an honest, ethical and creditable manner. The policies are revised in due course and all Directors and employees are reminded with its requirement from time to time. Every employee should abide by the rules stipulated in the Company's "Operation and Compliance Manual of Securities Industry". Striving to reduce the risk of corruption, the Company provided the employees with one training session with an average of 3 hours of training per employee on anti-corruption. 100% of the employee received the training, including the Company's senior management, middle-level management, supervisors and other employees. The Company provides a series of internal training programs on anti-money laundering and counter-terrorist financing policies. During the year, no legal case regarding corrupt practices and material non-compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) was brought against the Company or its employees.

Please refer to the "Environmental, Social and Governance Report" contained in this report for more details.

# Corporate Governance Report

## COMPANY SECRETARY

Mr. MAN Yun Wah has been nominated by In.Corp Corporate Services (HK) Limited to act as the Company Secretary, who has complied with the requirements of the Listing Rules. He has been contacting with the Board directly in respect of company secretarial matters. He reports to the Board directly.

## External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 51 of this annual report.

During the year ended 31 December 2022, the remunerations paid/payable to the Company's external auditors, Elite Partners CPA Limited are set out below:

| Type of Services                       | Fees Paid/<br>Payable<br>(HK\$) |
|----------------------------------------|---------------------------------|
| <i>Audit Services</i>                  |                                 |
| – Audit of annual financial statements | 710,000                         |
| Total                                  | 710,000                         |

There was no non-audit service provided by Elite Partners CPA Limited to the Company during the year ended 31 December 2022.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The forthcoming annual general meeting of the Company (the "AGM") will be held on 27 June 2023. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

The Company has reviewed the implementation and effectiveness of the Shareholders' communication policy during the year and concluded that it is effective.

# Corporate Governance Report

## SHAREHOLDER RIGHTS

### Convening a special general meeting by shareholders

#### ***Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)***

- Any one or more Shareholders 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 (the “Eligible Shareholder(s)”) shall at all times have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.
- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company’s branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.
- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

### Making enquiry to the Board

The Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to Flat F&G, 4/F., Golden Sun Centre, 59-67 Bonham Strand West, Sheung Wan, Hong Kong or email to [public@lerado.com.hk](mailto:public@lerado.com.hk).

# Corporate Governance Report

## Investors Relationship

### ***Bye-laws***

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2022.

### ***Investors Communication Policy***

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at [www.lerado.com](http://www.lerado.com), where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and available for public access.

The Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number: (852) 3700 9600

By post: Flat F&G, 4/F., Golden Sun Centre,  
59-67 Bonham Strand West,  
Sheung Wan, Hong Kong

Attention: Investor Relations Department

By email: [public@lerado.com.hk](mailto:public@lerado.com.hk)

### **Disclaimer**

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. The Shareholders should seek their own independent legal or other professional advice as to their rights as the Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of this section headed "Shareholders' Rights".

# Environmental, Social and Governance Report

## ABOUT THE GROUP

Lerado Financial Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing plastic toys for children and medical care products like mobility aid and other medical equipment.

## ABOUT THIS REPORT

The Company is pleased to present its Environmental, Social and Governance (“ESG”) Report (the “Report”) in 2022. The Report provides an annual update of sustainability performance in respect of the material businesses and operations of the Company and its subsidiaries. It has been updated to reflect the interest of various stakeholders.

The Report details the ESG performances of the Company for the financial year, from 1 January 2022 to 31 December 2022 (the “Reporting Period” or “2022”). The Company applies the concept of materiality in the planning and development of the Report. Unless otherwise indicated, the Report covers the Company’s principal businesses in financial services in the operating location below, including securities broking, margin financing and money lending, etc.

| Period               | Office Address                                                              | Floor Area     |
|----------------------|-----------------------------------------------------------------------------|----------------|
| 1 Oct 2021 – Present | Flat F & G, 4/F, Golden Sun Centre,<br>59-67 Bonham Strand West, Sheung Wan | 1,000 sq. feet |

## Reporting Principles

The preparation and presentation of related information in this Report are in accordance with Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has prepared this Report to meet the “Comply or Explain” provisions, of which mandatory Key Performance Indicators (KPIs) are disclosed. As such, the Company has been able to produce a balanced report, focusing on the key material issues.

# Environmental, Social and Governance Report

According to the guideline, the following principles are underpinned:

1. **Materiality:** ESG issues that have major impacts on investors and other stakeholders must be set out in this Report.
2. **Quantitative:** If the KPIs have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.
3. **Balance:** This Report must provide an unbiased picture of the ESG performance of the Company. It should avoid selecting, omitting, or presenting formants that may inappropriately influence a decision or judgement by the reader.
4. **Consistency:** This Report should use consistent statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the Report.

## Feedback

Stakeholders may send their enquiries and concerns to the Board of Directors (the “Board”) by addressing them to the principal place of business of the Company in Hong Kong:

Telephone number: (852) 3700 9600

Address: Flat F & G, 4/F, Golden Sun Centre, 59-67 Bonham Strand West, Sheung Wan, Hong Kong

Addressee: Investment Relationship Department

E-mail address: [public@lerado.com.hk](mailto:public@lerado.com.hk)



# Environmental, Social and Governance Report

## ESG GOVERNANCE

The Board is committed to contributing to the sustainable development of the society and environment. Along with the commitment, the Board is responsible for evaluating and determining the risks in relation to the ESG areas at the Company level. Through adjusting and defining risks, the Board is enabled to formulate a clear vision, key strategies and monitoring management plan to ensure the proper ESG reporting measures and systems are in place.

The Company's ESG philosophy is to create long-term value for its stakeholders and investors that aligns with the growth and sustainability of its business and the environment it is in. The Company aspires to be a responsible corporate citizen and believes that transparency and accountability are important foundations for building trust with its stakeholders.

Therefore, the Board is committed to contributing to the sustainable development of the society and environment. Along with the commitment, the Board is responsible for evaluating and determining the risks in relation to ESG areas at the Company level. Through adjusting and defining risks, the Board is able to formulate a clear vision and key strategies and monitor management to ensure the proper ESG reporting measures and systems are in place.

To maintain excellent ESG governance, the Board delegates authority to the ESG Working Group for the execution, assessment and management of ESG policies and measures on an operational level. the Working Group works with internal departments across the organisation to integrate sustainability into day-to-day operations. This Working Group regularly reports to the Board to ensure appropriate execution and risk management on sustainability. Through regular meetings and discussions with the Board, the Working Group plans and implements various policies, guidelines, measures and programmes which contribute to our sustainable development. This Working Group also identifies, evaluates and prioritises material ESG issues, through regular stakeholder engagement and materiality assessment, which are further reviewed and endorsed by the Board for disclosure. The Working Group will review the progress of these targets and report to the Board on the progress and feasible suggestions at least annually.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Company engages with key stakeholders such as board members, managers, supervisors, frontline workers, suppliers, and clients to understand their needs and concerns. The Company communicates with stakeholders via various communication channels, such as publication of the reports, regular meetings and interviews.

Identifying the material ESG issues that matter the most to the Group is a prerequisite for setting the framework for the ESG Report and formulation of ESG management strategies. As such, the Group regularly conducts internal materiality assessments to determine the sustainability issues that matter the most to the Group, which will become the main focus of our sustainability strategy and facilitate the implementation of relevant initiatives.

The Company has identified five ESG aspects as “relevant” and “material” – employment, health and safety, development and training, anti-corruption and use of resources. The ESG issues listed in the table below are considered to have a significant impact on the operations of our business and will be the focus of this Report.

| Aspects                        | Material ESG Issues                                                                                                                                      |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A. Environmental Aspect</b> |                                                                                                                                                          |
| A2. Use of Resources           | <ul style="list-style-type: none"><li>• Energy consumption</li><li>• Energy efficiency</li></ul>                                                         |
| <b>B. Social Aspect</b>        |                                                                                                                                                          |
| B1. Employment                 | <ul style="list-style-type: none"><li>• Employee welfare</li><li>• Inclusion and equal opportunities</li><li>• Talent attraction and retention</li></ul> |
| B2. Health and Safety          | <ul style="list-style-type: none"><li>• Occupational health and safety</li></ul>                                                                         |
| B3. Development and Training   | <ul style="list-style-type: none"><li>• Development and training</li></ul>                                                                               |
| B4. Labour Standards           | <ul style="list-style-type: none"><li>• Prevention of child and forced labour</li></ul>                                                                  |
| B7. Anti-corruption            | <ul style="list-style-type: none"><li>• Corporate governance</li><li>• Anti-corruption</li></ul>                                                         |

## ENVIRONMENTAL ASPECTS

The Company understands that climate change is one of the greatest concerns of the world and governments. Therefore, the Company reviews the environmental factors related to business operations to develop effective energy and water conservation measures and reduce waste generation. The Company actively responds to the global trend of emission reduction and devotes resources to reducing the impact of daily operations on the environment.

# Environmental, Social and Governance Report

## EMISSIONS

As the Company is principally engaged in the provision of financial services, they do not emit significant discharges, for instance, nitrogen oxides, sulphur oxides and respiratory suspended particles into water, land and air. In addition, the Company does not produce a significant volume of hazardous and non-hazardous waste from businesses.

The Company's environmental impacts stem mainly from the energy usage associated with the office operation. The Company impacts the environment through its use of paper and non-hazardous waste generation. The Company places energy reduction and waste recycling as a few of its main key environmental strategies.

The Company was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the Reporting Period.

### Air and Greenhouse Gas Emissions

The major source of air and greenhouse gas emissions by the Company is energy consumption in regard to the purchased electricity used in office operations. The greenhouse gas emissions by the Company are mainly generated by the indirect emissions from the purchased electricity (Scope 2 emissions) and the paper waste disposed at landfills and water and sewage processing (Scope 3 emissions).

The total greenhouse gas emission generated by the Company during the Reporting Period was 15.1 tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e), with an intensity of 3.0 tonnes CO<sub>2</sub>-e per employee, comprising electricity consumption. The Company has not set a direct reduction target for greenhouse gas but instead has set an electricity consumption target for our operation.

| Greenhouse gas emissions       | 2022 | 2021 | 2020 | Unit                               |
|--------------------------------|------|------|------|------------------------------------|
| Scope 1 emissions              | –    | –    | –    | tonnes CO <sub>2</sub> -e          |
| Scope 2 emissions              | 14.9 | 3.7  | 36.0 | tonnes CO <sub>2</sub> -e          |
| Scope 3 emissions              | 0.2  | 4.0  | –    | tonnes CO <sub>2</sub> -e          |
| Total greenhouse gas emissions | 15.1 | 7.7  | 36.0 | tonnes CO <sub>2</sub> -e          |
| Intensity (by employee)        | 3.0  | 1.5  | 4.5  | tonnes CO <sub>2</sub> -e/employee |

The Company proactively takes effective measures to reduce emissions of greenhouse gas and exhaust gas. In terms of reducing business travel, the Company encourages employees to use long-distance face-to-face meetings through telephone or video conferences, so as to reduce carbon emissions from air transportation. The Company also encourages employees to travel by public transport to reduce exhaust gas and greenhouse gas emissions from private cars.

# Environmental, Social and Governance Report

## Waste Management

The Company upholds the principles of waste management and is committed to reducing the impact of waste from business activities on the environment. Due to the business nature, the generation of hazardous and non-hazardous waste is not material to us. Thus, its related information is not disclosed and no reduction target has been established in this Report.

The Company advocates the culture of “Use Less; Waste Less” by promoting the effective use of resources in daily operations to reduce waste generation. The following initiatives are adopted:

- Converting to a paperless office by storing files and documents online;
- Distribute promotions, monthly reports and other information through telecommunication channels to reduce the use of paper;
- Place various paper recycling boxes in the office areas;
- Encourage employees to reuse paper and printing on both sides;
- Designate recycling sports for recyclable waste, such as waste paper;
- Prohibit the use of disposable tableware and containers, and
- Co-operate with property management companies and service providers to recycle glass, aluminium pots, and ink cartridges.

## USE OF RESOURCES

The Company is committed to implementing environmental policy to reduce the use and make good use of resources, including saving energy and reducing waste. Through promoting environmental and operating efficiency, the Company and its employees work together to reduce the environmental impact of the Company’s business. To pursue the environmental commitment, the Company has implemented multiple measures in enhancing energy efficiency, reducing water consumption, encouraging the replacement of business travels with video conferences, and driving behavioural changes in employees. In hopes of minimizing the use of paper, scanning documents is adopted to reduce the need for photocopying.

Given the Company is principally engaged in financial investment, the operation does not involve a significant amount of packaging materials for finished products. Nevertheless, for other resources consumed from the business activities, the Company upholds the principle of resources management and is committed to the proper use of all resources. Details of energy and water consumption and reduction methods will be discussed in the following sessions.

# Environmental, Social and Governance Report

## Energy Consumption

The Company's electricity consumption mainly stemmed from office operations. During the Reporting Period, the total electricity consumption was 21.0 megawatt-hour (MWh) with an intensity of 4.2 MWh per employee.

| Direct and indirect energy consumption by type | 2022 | 2021 | 2020 | Unit <sup>1</sup> |
|------------------------------------------------|------|------|------|-------------------|
| Direct energy consumption                      | –    | –    | –    | GJ                |
| Indirect energy consumption                    | 21.0 | 5.3  | 45.0 | MWh               |
| Total energy consumption                       | 21.0 | 5.3  | 45.0 | MWh               |
| Intensity (by employee)                        | 4.2  | 1.1  | 5.6  | MWh/employee      |

As the Company has achieved the energy reduction target set in 2021, the Company strives to conserve energy by setting a new target to achieve a 15% reduction in energy consumption by 2027, using 2022 as the baseline year.

| Aspect | Reduction Target                           | Baseline Year | Baseline Data        | Status      |
|--------|--------------------------------------------|---------------|----------------------|-------------|
| Energy | Reduce 15% of the energy intensity by 2025 | 2020          | 5.6 MWh per employee | Achieved    |
| Energy | Reduce 15% of the energy intensity by 2027 | 2022          | 4.2 MWh per employee | In-progress |

In order to reduce the use of electricity, the Company has adopted various initiatives in its operations as follows:

- give priority to products with high energy efficiency;
- replace traditional lamps with LED lights for energy saving;
- raise the target temperature for the air-conditioning system from 20° C to 25° C;
- increase equipment's operating efficiency through regular cleaning and maintenance;
- formulate codes to ensure reasonable use of the air-conditioning, lighting system and office equipment;
- avoid excessive lighting by following the principle of daylight illumination and classifying light areas according to actual operation;
- adjust office equipment to auto standby/sleep mode if not in use; and
- assign dedicated personnel to conduct regular energy-saving inspections.

<sup>1</sup> The unit of energy consumption has been changed from kilowatt-hour (kWh) to megawatt-hour (MWh).

# Environmental, Social and Governance Report

## Water Consumption

The Company understands the importance of precious water sources to the earth and the environment. The daily water consumption is supplied from the municipal water network, and there is no difficulty in sourcing water. Due to the Company's business nature, the use of water is not material to our operations. The water consumed is mainly drinking water and the business operation did not involve water usage. While the Company has not set any targets for water consumption reduction due to its minimal impacts, the Company nonetheless promotes reasonable water use initiatives and water-saving measures among its employees.

| Water consumption in total and intensity | 2022 | 2021 | 2020 | Unit                     |
|------------------------------------------|------|------|------|--------------------------|
| Total water consumption                  | 0.9  | 1.2  | –    | m <sup>3</sup>           |
| Intensity (by employee)                  | 0.17 | 0.24 | –    | m <sup>3</sup> /employee |

The Company actively promotes water-saving practices and encourages the staff to save water and use water efficiently. For instance, the Company has posted water-saving slogans in conspicuous places and assigned dedicated personnel to regularly examine tap dripping or leaking and repairment.

## Packaging materials

Given our business nature, the Company does not have manufacturing facilities and does not consume a significant amount of packaging materials.

## THE ENVIRONMENT AND NATURAL RESOURCES

Given the Company's business nature and activities, the impact of the Company on the environment and natural resources is limited. Consumption of energy mainly stemmed from the general use of electricity in the office. During the Reporting Period, the Company stipulated a number of measures to reduce the use of resources and waste disposal (see the section headed "Use of Resources" above).

Although the Company's business model does not involve any high energy consumption activities, the Company is still committed to maintaining a balance between industry and the ecological environment, and pursues long-term sustainable development. While reviewing the business strategy and planning for future industrial development, the Company would take into account the importance of protecting the environment and cherishing natural resources. The Company will also promote the overall awareness of environmental protection and the awareness of customers and supply chains through education, training and awareness advocacy, thereby shouldering corporate social responsibility.

In addition, the Company will continue to assess the environmental risks of the business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure compliance with relevant laws and regulations that applies to the Company's emissions and the use of resources.



# Environmental, Social and Governance Report

## CLIMATE CHANGE

The world is currently encountering the challenge of climate change. The Company is highly concerned about climate-related issues and their potential impacts on the business operation. The Company is also committed to reducing its greenhouse gas emissions. Since the major business nature of the Company is providing financial services in Hong Kong, no climate-related risks were identified with significant impacts on the operation.

Still, the Company realizes that emergency measures and risk management plans should be prepared as there are acute physical risks affecting Hong Kong. The increased frequency and severity of extreme weather, such as typhoons, storms and heavy rains, can disrupt business operations by damaging the power grid and communication infrastructures, hampering and injuring our employees during their work or commuting, leading to reduced capacity and decreased productivity. In response, the Company will carry out specific precautionary measures and review existing emergency plans for extreme weather.

## SOCIAL ASPECT

### Employment and Labour Practices

#### *Employment*

The Company's business is built on the efforts of its employees. Therefore, the Company strives to create a safe, healthy, fair, just and non-discriminatory working environment, enabling employees to achieve their full potential. The Company is also committed to maintaining harmonious labour relations and pooling the wisdom of the employees to promote the long-term and sustainable development of the Company's industries.

During the Reporting Period, the Company has an aggregate of 5 employees. In order to cooperate with the continuously growing business scale, the Company acquires talents from different countries and backgrounds to join the local team.

## Environmental, Social and Governance Report

The table below demonstrates the breakdown of employees during the Reporting Period by gender, age group, type of employment and employee category in 2022 and 2021:

| Breakdown of Employees by Category |                       | Percentage of Total (%) |      |
|------------------------------------|-----------------------|-------------------------|------|
|                                    |                       | 2022                    | 2021 |
| By gender                          | Female                | 60%                     | 40%  |
|                                    | Male                  | 40%                     | 60%  |
| By employment type                 | Full-time             | 100%                    | 100% |
|                                    | Part-time             | 0%                      | 0%   |
| By function                        | Executive             | 60%                     | 60%  |
|                                    | Administrative        | 40%                     | 40%  |
| By age group                       | Under 35 years old    | 60%                     | 40%  |
|                                    | 35-44 years old       | 20%                     | 0%   |
|                                    | 45-54 years old       | 0%                      | 60%  |
|                                    | 55 years old or above | 20%                     | 0%   |
| By level                           | Senior management     | 20%                     | 40%  |
|                                    | Middle management     | 60%                     | 20%  |
|                                    | Supervisor            | 20%                     | 20%  |
|                                    | General employee      | 0%                      | 20%  |
| By geographical region             | Hong Kong             | 100%                    | 100% |

### Employee Welfare

The Company attaches great importance to talents, adheres to the philosophy of being people-oriented, and abides by the personnel management principles of fairness, openness and justness. In order to attract and retain excellent talents, the Company provides employees with lawful and reasonable remuneration, for instance, basic salary, various allowances and bonuses.

The Company reviews the employees' remuneration on an annual basis through performance assessment. The salary adjustment shall be decided by the remuneration committee after considering the contribution, experience and ability of the employees, in addition to the business performance and operation status of the Company and other market statistics. The Company also applies for the Mandatory Provident Fund Plan for all eligible employees in Hong Kong.

# Environmental, Social and Governance Report

## *Equal Opportunity and Harmonious Pluralism*

The Company actively promotes fair competition to ensure no discrimination or dismissal of employees based on race, gender, age, marital status or religion. In view of this, the Company has formulated internal policies to regulate the Company's principles of equal opportunity, diversity and anti-discrimination. The equality principles of the Company include recruitment, training, promotion, transfer and benefit, etc., regardless of gender, religion, pregnancy, family status, marital status, race and disability. In selecting suitable applicants for a job, all employees are treated fairly. Selection criteria are built on their qualifications, abilities and experience. Similarly, the Company shall only dismiss its employees on reasonable grounds and shall compensate them with legal remuneration.

## *Working Hours and Rest Periods*

The Company attaches great importance to the physical and psychological health of the employees. Acknowledging a good work-life balance can improve employees' work performance, the Company regularly organizes entertainment activities, for instance, birthday parties and Spring Banquets.

To further achieve work-life balance, employees are provided with flexible working hours. In addition to the legal holidays, the Company also provides employees with extra annual leave, sick leave, marriage leave, and bereavement leave. In addition, the Company provides medical, accident and life insurance for employees, of which they are entitled to medical services at a relatively low cost. If any employee, unfortunately, suffers any work accident that results in accidental death, permanent incapacity or serious injury, he and his family shall receive financial aid.

In Hong Kong, the Company complied with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

During the Reporting Period, the Company was not aware of any material non-compliance with laws and regulations in the employment and labour process, such as recruitment, dismissal, promotion and remuneration of employees, regardless of where the Company operates. The legitimate rights and interests of employees are protected in accordance with laws and regulations.

# Environmental, Social and Governance Report

## ***Health and Safety***

For the Company, employees with good health are the guarantee of productivity. To provide a healthy and safe working environment for employees, the Company complies with the laws, regulations and standards of the state on safe production, laying a foundation for safe operation. Furthermore, the Company has conducted practical safety management to effectively eliminate potential safety risks.

As the principal business of the Company is related to the financial sector, it does not involve substantial safety hazards within the workplace. However, the Company has spared no effort to advocate occupational health and safety. For instance, ensuring sufficient lighting and air circulation in the workplace, regularly cleaning water dispensers, carpets and air conditioners, as well as exterminating insects in the workplace. The Company also forbids employees and visitors from smoking within the office environment.

The Company conducts risk management and implements emergency plans and preparation. Exit roadmaps are placed within the workplace while proper fire-fighting apparatuses are appropriately installed. The Company also ensures that the fire escape route is unimpeded and has prepared necessary first-aid kits in accordance with the law.

The Company encourages employees to report any potential health and safety risks in their work. Various sharing sessions are also organized to strengthen employees' safety knowledge and awareness.

The Company did not identify any casualties and accidents that resulted in death or serious physical injury during the past three years, nor did the Company identify any material non-compliance with the laws and regulations in relation to workplace health and safety, such as the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), during the Reporting Period.

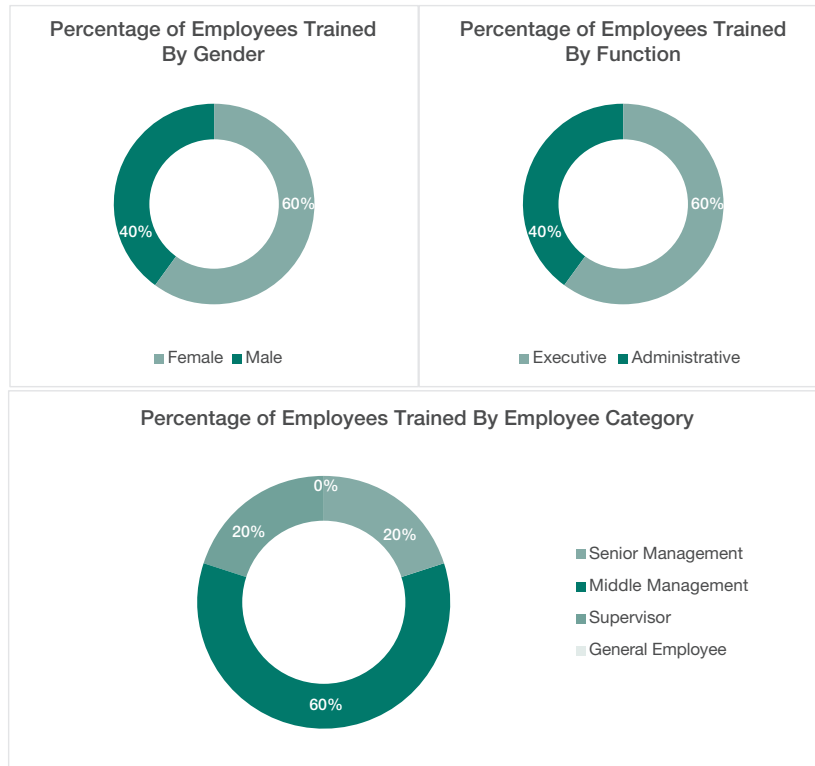
## ***Development and Training***

To support employees to leverage their talents and develop their skills and competencies, the Company provides development programs that focus on broadening professional knowledge and technical skills and ultimately enhancing productivity.

As such, the Company offers employees opportunities to develop their knowledge and skills. Not only those employees who are involved in the financial business should receive the enterprise training and anti-money laundering training provided by the Company, but employees may also attend industry conferences to receive the latest market information. It is believed that through these opportunities, the employees' knowledge and capability can be enriched thus providing a better service to the clients.

## Environmental, Social and Governance Report

During the Reporting Period, employees received a total of 15 training hours distributed in all employee categories. 100% of the employees were trained and the average training hour was 3 hours per employee, regardless the gender, function and employee category. Training rates during the Reporting Period by gender, function and employee category are as follows:



### Labour Standards

During the Reporting Period, the Company fully complies with laws and regulations related to the prevention of child labour and forced labour. The Company has a strict recruitment policy, of which only applicants aged 18 or above are employed. In addition, the Company is committed to zero forced work and guarantees that every employee shall voluntarily engage in their work.

There were no significant non-compliance cases noted in relation to labour standards laws and regulations during the Reporting Period, including but not limited to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

# Environmental, Social and Governance Report

## Operating Practices and Social Investment

### ***Supply Chain Management***

The Company believes that building a sustainable supply chain can create positive values for the clients, employees, suppliers, service providers and communities. The Company applies the principles of openness, fairness and transparency to select suitable underwriters and placing agencies that are in line with the established procedures are selected. Precise considerations are imposed on the selection process. For instance, appraising their institution's background, history, achievements, performance, and all these procedures must comply with the Securities and Futures Ordinance. The Company regularly monitors its partner's service qualities and conducts an annual appraisal to ensure that they are meeting the Company's requirements as well as seeking improvement. Since the major business nature of the Company is investment-oriented, the Company did not have major supplier during the Reporting Period.

### ***Product Responsibility***

The Company strictly abides by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and requires all employees to conduct the relevant business operations in accordance with the Company's "Operation and Compliance Manual of Securities Industry". Only licensed employees are allowed to provide particular financial services. In addition, the Company is committed to ensuring the information provided to clients is reliable without any misleading elements.

During the Reporting Period, there were no incidents of non-compliance with laws and regulations concerning breaches of customer privacy and loss of data.

### ***Anti-Corruption***

The Company advocates business integrity and fair competition and requires its employees to observe the code of professional ethics at all times. The Company expects all employees to adhere to the highest ethical, personal, and professional behaviour and standards.

Every employee should abide by the rules stipulated in the Company's "Operation and Compliance Manual of Securities Industry". All employees should keep a high level of personal honesty and integrity when handling various businesses and operations, in addition to declaring any potential conflicts of interest with the Company. Moreover, with regard to the confidentiality of the client's data, all employees have signed confidentiality agreements and are forbidden from providing the information to any third parties.

Authorized by the Board, there is the audit committee, remuneration committee and nomination committee. The Board Members from different committees jointly monitor the governance of the Company. All reported actual or potential frauds, as well as other ethical issues, are independently followed up, investigated and reported by the audit committee, where proper measures shall also be adapted to correct the problems.

To strengthen the supervision, service contracts with different quotas must be examined and approved by the corresponding authorized officers, and all procedures should follow the policies of the Company.



## Environmental, Social and Governance Report

The Company conducts risk management, carries out annual risk appraisal to recognize any potential risks in the operating process, for instance, liquidity risk, credit risk and market risk, and formulates corresponding management countermeasures. In addition, the Company has also employed independent accountants to carry out third-party verification to ensure a fair and complete account of the Company, thus protecting the shareholders' interests.

Striving to reduce the risk of corruption, the Company provided the employees with one training session with an average of 3 hours of training per employee on anti-corruption. 100% of the employee received the training, including the Company's senior management, middle-level management, supervisors and other employees. The Company provides a series of internal training programs on anti-money laundering and counter-terrorist financing policies. The Company has actively strengthened the culture of integrity and consistently incorporated anti-corruption in its governance at all business levels.

During the Reporting Period, no legal case regarding corrupt practices and material non-compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) was brought against the Company or its employees.

### ***Community Investment***

The Company believes that running a successful business is about achieving economic viability and fulfilling social responsibility. The Company, therefore, encourages employees to participate in volunteer work, nurturing a culture of care and mutual support. The Company will continue to regularly review and supervise its objectives for community investment, sponsorship and donation activities and the relevant approval policies.

The Company believes that the current environmental protection and social responsibility measures in place are adequate to comply with relevant laws and regulations. However, the Company will continue to review its measures from time to time according to the latest requirements, striving to enhance environmental protection and social responsibility measures.

# Environmental, Social and Governance Report

## SUMMARY OF KEY PERFORMANCE INDICATORS

| Environmental Aspects <sup>2</sup> |                                                          | 2022 | 2021 | Unit                               |
|------------------------------------|----------------------------------------------------------|------|------|------------------------------------|
| <b>Aspect A1: Emissions</b>        |                                                          |      |      |                                    |
| <b>A1.2</b>                        | <b>Greenhouse gas emissions in total and intensity</b>   |      |      |                                    |
|                                    | Scope 1 emissions                                        | –    | –    | tonnes CO <sub>2</sub> -e          |
|                                    | Scope 2 emissions                                        | 14.9 | 3.7  | tonnes CO <sub>2</sub> -e          |
|                                    | Scope 3 emissions                                        | 0.2  | 4.0  | tonnes CO <sub>2</sub> -e          |
|                                    | Total greenhouse gas emissions                           | 15.1 | 7.7  | tonnes CO <sub>2</sub> -e          |
|                                    | Intensity (by employee)                                  | 3.0  | 1.5  | tonnes CO <sub>2</sub> -e/employee |
| <b>Aspect A2: Use of Resources</b> |                                                          |      |      |                                    |
| <b>A1.2</b>                        | <b>Direct and/or indirect energy consumption by type</b> |      |      |                                    |
|                                    | Direct energy consumption                                | –    | –    | GJ                                 |
|                                    | Indirect energy consumption                              | 21.0 | 5.3  | MWh                                |
|                                    | Total energy consumption                                 | 21.0 | 5.3  | MWh                                |
|                                    | Intensity (by employee)                                  | 4.2  | 1.1  | MWh/employee                       |
| <b>A1.2</b>                        | <b>Water consumption in total and intensity</b>          |      |      |                                    |
|                                    | Total water consumption                                  | 0.9  | 1.2  | m <sup>3</sup>                     |
|                                    | Intensity (by employee)                                  | 0.17 | 0.24 | m <sup>3</sup> /employee           |

<sup>2</sup> The methodology and calculations adopted for reporting set out above were based on “How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange.

## Environmental, Social and Governance Report

| Social Aspects <sup>3</sup>  |                           | 2022 | 2021 | Unit     |
|------------------------------|---------------------------|------|------|----------|
| <b>Aspect B1: Employment</b> |                           |      |      |          |
| <b>B1.1</b>                  | <b>Total workforce</b>    |      |      |          |
|                              | Total number of employees | 5    | 5    | employee |
|                              | By gender                 |      |      |          |
|                              | Female                    | 3    | 2    | employee |
|                              | Male                      | 2    | 3    | employee |
|                              | By employment type        |      |      |          |
|                              | Full-time                 | 5    | 5    | employee |
|                              | Part-time                 | 0    | 0    | employee |
|                              | By age group              |      |      |          |
|                              | Under 35 years old        | 3    | 2    | employee |
|                              | 35-44 years old           | 1    | 0    | employee |
|                              | 45-54 years old           | 0    | 3    | employee |
|                              | 55 years old or above     | 1    | 0    | employee |
|                              | By employee category      |      |      |          |
|                              | Senior management         | 1    | 2    | employee |
|                              | Middle management         | 3    | 1    | employee |
|                              | Supervisor                | 1    | 1    | employee |
|                              | General employee          | 0    | 1    | employee |
|                              | By geographical region    |      |      |          |
|                              | Hong Kong                 | 5    | 5    | employee |

<sup>3</sup> The methodology and calculations adopted for reporting set out above were based on “How to Prepare an ESG Report? – Appendix 3: Reporting Guidance on Social KPIs” issued by the Stock Exchange.

## Environmental, Social and Governance Report

|                        |                                           | 2022 | 2021 | Unit |
|------------------------|-------------------------------------------|------|------|------|
| <b>B1.2</b>            | <b>Employee turnover rate<sup>4</sup></b> |      |      |      |
|                        | Total employee turnover rate              | 20%  | 120% | %    |
| By gender              | Female                                    | 0%   | 150% | %    |
|                        | Male                                      | 50%  | 100% | %    |
| By employment type     | Full-time                                 | 20%  | 120% | %    |
|                        | Part-time                                 | –    | –    | %    |
| By age group           | Under 35 years old                        | 0%   | 150% | %    |
|                        | 35-44 years old                           | 0%   | –    | %    |
|                        | 45-54 years old                           | –    | 100% | %    |
|                        | 55 years old or above                     | 0%   | –    | %    |
| By employee category   | Senior management                         | 0%   | 50%  | %    |
|                        | Middle management                         | 0%   | 200% | %    |
|                        | Supervisor                                | 0%   | 100% | %    |
|                        | General employee                          | –    | 200% | %    |
| By geographical region | Hong Kong                                 | 20%  | 120% | %    |

<sup>4</sup> The turnover rate in this Report was calculated by the formula: turnover rate = the number of employees who resigned in the Reporting Period/the number of employees as at the end of the Reporting Period.

The turnover rate may exceed 100% since the number of turnovers during the Reporting Period is more than the number of employees at the end of the Reporting Period.

## Environmental, Social and Governance Report

|                                            |                                                    | 2022        | 2021 | Unit     |
|--------------------------------------------|----------------------------------------------------|-------------|------|----------|
| <b>Aspect B2: Health and Safety</b>        |                                                    |             |      |          |
| <b>B2.1</b>                                | <b>Number of work-related fatalities</b>           | <b>0</b>    | 0    | no.      |
|                                            | Rate of work-related fatalities                    | <b>0%</b>   | 0%   | %        |
| <b>B2.2</b>                                | <b>Lost days due to work injury</b>                | <b>0</b>    | 0    | day      |
| <b>Aspect B3: Development and Training</b> |                                                    |             |      |          |
| <b>B3.1</b>                                | <b>Percentage of trained employees<sup>5</sup></b> |             |      |          |
|                                            | Total number of trained employees                  | <b>5</b>    | 5    | employee |
|                                            | Percentage of total employees trained              | <b>100%</b> | 100% | %        |
| By gender                                  | Female                                             | <b>60%</b>  | 40%  | %        |
|                                            | Male                                               | <b>40%</b>  | 60%  | %        |
| By employee category                       | Senior management                                  | <b>20%</b>  | 40%  | %        |
|                                            | Middle management                                  | <b>60%</b>  | 20%  | %        |
|                                            | Supervisor                                         | <b>20%</b>  | 20%  | %        |
|                                            | General employee                                   | <b>0%</b>   | 20%  | %        |
| By function                                | Executive                                          | <b>60%</b>  | 60%  | %        |
|                                            | Administrative                                     | <b>40%</b>  | 40%  | %        |

<sup>5</sup> The percentage of employees trained in different categories in this Report was calculated by the formula: the percentage of employees trained in different categories = the number of employees trained in a certain category/the total number of employees trained.

## Environmental, Social and Governance Report

|                                                          |                   | 2022 | 2021 | Unit              |
|----------------------------------------------------------|-------------------|------|------|-------------------|
| <b>B3.2 Average training hours completed<sup>6</sup></b> |                   |      |      |                   |
| Average training hours per employee                      |                   | 3    | 2    | hour/<br>employee |
| By gender                                                | Female            | 3    | 2    | hour/<br>employee |
|                                                          | Male              | 3    | 2    | hour/<br>employee |
| By employee category                                     | Senior management | 3    | 2    | hour/<br>employee |
|                                                          | Middle management | 3    | 2    | hour/<br>employee |
|                                                          | Supervisor        | 3    | 2    | hour/<br>employee |
|                                                          | General employee  | 3    | 2    | hour/<br>employee |
| By function                                              | Executive         | 3    | 2    | hour/<br>employee |
|                                                          | Administrative    | 3    | 2    | hour/<br>employee |

<sup>6</sup> The average training hours in different categories in this Report were calculated by the formula: the average training hours in different categories = the number of total training hours in a certain category/the number of employees in a certain category as at the end of the Reporting Period.



## Environmental, Social and Governance Report

|                                                       |                                                                   | 2022        | 2021 | Unit |
|-------------------------------------------------------|-------------------------------------------------------------------|-------------|------|------|
| <b>Aspect B6: Product Responsibility</b>              |                                                                   |             |      |      |
| <b>B6.2</b>                                           | <b>Number of products and service-related complaints received</b> | <b>0</b>    | 0    | no.  |
| <b>Aspect B7: Anti-corruption</b>                     |                                                                   |             |      |      |
| <b>B7.1</b>                                           | <b>Number of concluded legal cases regarding corruption</b>       | <b>0</b>    | 0    | case |
| <b>B7.3</b>                                           | <b>Anti-corruption training</b>                                   |             |      |      |
|                                                       | Number of anti-corruption training sessions                       | <b>1</b>    | 1    | no.  |
|                                                       | Total number of training hours related to anti-corruption         | <b>3</b>    | 2    | hour |
| Percentage of employees with anti-corruption training | Directors                                                         | <b>100%</b> | 100% | %    |
|                                                       | General employees                                                 | <b>60%</b>  | 100% | %    |

## Directors' Report

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2022.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements for the year ended 31 December 2022.

Descriptions and reviews of principal risks and uncertainties that the Group may be facing are set out on pages 134 to 147 of this annual report.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 56 and 57 of the annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

### PROPERTY, PLANT AND EQUIPMENT

The Group's buildings were revalued at 31 December 2022. The revaluation resulted in gain of HK\$6,221,000 which was credited to property revaluation reserve at 31 December 2022.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements for the year ended 31 December 2022.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements for the year ended 31 December 2022.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

|                     | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------|------------------|------------------|
| Contributed surplus | 933,125          | 244,461          |
| Accumulated losses  | (1,031,764)      | (786,975)        |
|                     | (98,639)         | (542,514)        |

## Directors' Report

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### DIVIDEND POLICY

The Dividend Distribution Policy of the Company establishes the principles to ascertain amounts that can be distributed to the Shareholders as dividend by the Company. Subject to the applicable law and its Bye-Laws, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholders return.

While determining the nature and quantum of dividend payout, the Board would take into account the following factors, inter alia:

- Cash flow position of the Company
- Earnings stability
- Long term investments
- Future cash requirements for development
- Economic environment
- Industry outlook for the future years
- Changes in the Government policies, industry specific rulings & regulatory provisions

### DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

#### Executive Directors:

Mr. CHEN Chun Chieh  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken

#### Independent non-executive Directors:

Mr. YU Tat Chi Michael  
Mr. YANG Haihui  
Mr. LAM Williamson

## Directors' Report

In accordance with clause 87 of the Company's bye-laws, Ms. HO Kuan Lai and Mr. YU Tat Chi Michael will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. All the other Directors will continue in office.

The terms of office of all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

### DIRECTORS' SERVICE CONTRACTS

No Director has entered into service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, none of the Directors, supervisor or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

### SHARE OPTIONS

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 32 to the consolidated financial statements.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than share option schemes mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company.

#### Long position in shares and underlying shares of the Company

| Name of shareholder                        | Capacity                           | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|--------------------------------------------|------------------------------------|---------------------------------------|-------------------------------------------------------|
| Opus Platinum Growth Fund                  | Beneficial owner                   | 18,000,000                            | 7.82%                                                 |
| Mr. Lai Shu Fun, Francis Alvin<br>(Note 1) | Interest in Controlled Corporation | 18,000,000                            | 7.82%                                                 |

Note:

- (1) Mr. Lai Shu Fun, Francis Alvin is indirectly interested in approximately 40.03% of the total issued share capital of Opus Platinum Growth Fund. Therefore Mr. Lai Shu Fun, Francis Alvin is deemed to be interested in the 18,000,000 shares held by Opus Platinum Growth Fund.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2022.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### CONNECTED TRANSACTIONS

Other than those disclosed in note 35 to the consolidated financial statements for the year ended 31 December 2022, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements under Chapter 14A of the Listing Rules.

## Directors' Report

### DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 35 to the consolidated financial statements for the year ended 31 December 2022, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end or at any time during the year ended 31 December 2022.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the aggregate sales attributable to the Group's five largest customers represented approximately 36% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 24% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 9%.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

### PRE-EMPTIVE RIGHTS

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

### 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 had purchased, sold or redeemed any listed securities of the Company.

### EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to the Directors and eligible employees, details of these schemes are set out in note 32 to the consolidated financial statements for the year ended 31 December 2022.

## Directors' Report

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

### EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period up to the date of this annual report.

### AUDITOR

The Audit Committee has recommended to the Directors the nomination of Elite Partners CPA Limited for re-appointment as auditor of the Company at the forthcoming AGM.

The auditor, Elite Partners CPA Limited, has expressed its willingness to accept re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the board

**HO Kuan Lai**

*Executive Director*

31 March 2023



## Independent Auditor's Report



**TO THE SHAREHOLDERS OF LERADO FINANCIAL GROUP COMPANY LIMITED**  
*(incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 56 to 157, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 (the “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.

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment assessment of trade receivables and loan receivables

We identified the impairment assessment under expected credit losses ("ECL") of HKFRS 9 for trade receivables and loan receivables as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.

- Determination of the criteria for significant increase in credit risk ("SICR");
- Selection of models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); and
- Establishing the relative probability weightings of forward-looking scenarios.

In addition, the ECL measurement involves management estimates and judgement in the consideration of various factors, including the realisable value of securities or collaterals from clients and their guarantors which are held by the Group and subsequent settlement and additional collaterals received.

The total gross amount of loan receivables was approximately HK\$1,563,518,000 with accumulated impairment provision of approximately HK\$362,808,000 as at 31 December 2022, details of which has been disclosed in note 22 to the consolidated financial statements.

The total gross amount of trade receivables was approximately HK\$202,897,000 with accumulated impairment provision of approximately HK\$114,957,000 as at 31 December 2022, details of which has been disclosed in note 21 to the consolidated financial statements.

Our procedures in relation to impairment assessment under ECL of HKFRS 9 for trade receivables and loan receivables include:

- Understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9;
- Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9;
- Evaluating the reasonableness and appropriateness of the model and assumption; and
- Examining significant data inputs into the ECL model, including PD and LGD after taking into consideration of forward-looking information.

# Independent Auditor's Report

## 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.

## RESPONSIBILITIES OF 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgment 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.
- 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.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

The engagement director on the audit resulting in the independent auditor's report is Mr. Leung Man Kin, with Practising Certificate number P07174.

**Elite Partners CPA Limited**  
*Certified Public Accountants*

10/F., 8 Observatory Road  
Tsim Sha Tsui  
Kowloon, Hong Kong  
31 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

|                                                                          | NOTES | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Continuing operations</b>                                             |       |                  |                  |
| Revenue                                                                  | 5     |                  |                  |
| – Goods and services                                                     |       | 94,112           | 84,266           |
| – Interest                                                               |       | 124,126          | 131,021          |
| Total revenue                                                            |       | 218,238          | 215,287          |
| Cost of inventories and services                                         |       | (72,866)         | (67,611)         |
|                                                                          |       | 145,372          | 147,676          |
| Other income                                                             | 6     | 9,683            | 2,848            |
| Other gains and losses, net                                              | 7     | (52,728)         | 6,619            |
| Impairment loss recognised on financial assets<br>at amortised cost, net | 7     | (318,160)        | (96,798)         |
| Marketing and distribution costs                                         |       | (9,041)          | (5,127)          |
| Administrative expenses                                                  |       | (50,771)         | (56,971)         |
| Share of results of an associate                                         |       | 530              | 565              |
| Finance costs                                                            | 8     | (70,448)         | (61,706)         |
| Loss before taxation                                                     |       | (345,563)        | (62,894)         |
| Income tax expense                                                       | 9     | (22,074)         | (44)             |
| Loss for the year from continuing operations                             |       | (367,637)        | (62,938)         |
| <b>Discontinued operation</b>                                            |       |                  |                  |
| Loss for the year from discontinued operation                            | 11    | –                | (2,994)          |
| Loss for the year                                                        | 10    | (367,637)        | (65,932)         |
| <b>Other comprehensive income</b>                                        |       |                  |                  |
| <b>Items that will not be reclassified to profit or loss:</b>            |       |                  |                  |
| Gains on property revaluation                                            |       | 6,221            | 3,605            |
| Recognition of deferred tax liability arising on<br>property revaluation |       | (112)            | (1,200)          |
|                                                                          |       | 6,109            | 2,405            |
| <b>Item that may be reclassified subsequently to<br/>profit or loss:</b> |       |                  |                  |
| Exchange differences arising on translation of<br>foreign operations     |       | (13,390)         | 4,707            |
| Other comprehensive (expense)/income for the year                        |       | (7,281)          | 7,112            |
| Total comprehensive expense for the year                                 |       | (374,918)        | (58,820)         |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

|                                                                                 | NOTES | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------------------------------------------------------------|-------|------------------|------------------|
| Loss for the year attributable to owners of the Company                         |       |                  |                  |
| – from continuing operations                                                    |       | (367,073)        | (62,715)         |
| – from discontinued operation                                                   |       | –                | (2,994)          |
| Loss for the year attributable to owners of the Company                         |       | (367,073)        | (65,709)         |
| Loss for the year attributable to non-controlling interests                     |       |                  |                  |
| – from continuing operations                                                    |       | (564)            | (223)            |
| – from discontinued operation                                                   |       | –                | –                |
| Loss for the year attributable to non-controlling interests                     |       | (564)            | (223)            |
|                                                                                 |       | (367,637)        | (65,932)         |
| Total comprehensive expense attributable to:                                    |       |                  |                  |
| Owners of the Company                                                           |       | (374,354)        | (58,597)         |
| Non-controlling interests                                                       |       | (564)            | (223)            |
|                                                                                 |       | (374,918)        | (58,820)         |
| Total comprehensive expense for the year attributable to owners of the Company: |       |                  |                  |
| – from continuing operations                                                    |       | (374,354)        | (55,603)         |
| – from discontinued operation                                                   |       | –                | (2,994)          |
|                                                                                 |       | (374,354)        | (58,597)         |
|                                                                                 |       |                  | (Restated)       |
| <b>Loss per share</b>                                                           | 15    |                  |                  |
| From continuing and discontinued operations                                     |       |                  |                  |
| – Basic and diluted                                                             |       | (HK159.37 cents) | (HK28.53 cents)  |
| From continuing operations                                                      |       |                  |                  |
| – Basic and diluted                                                             |       | (HK159.37 cents) | (HK27.23 cents)  |



# Consolidated Statement of Financial Position

As at 31 December 2022

|                                                                    | NOTES | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------------------------------|-------|------------------|------------------|
| Non-current assets                                                 |       |                  |                  |
| Property, plant and equipment                                      | 16    | 26,024           | 28,194           |
| Right-of-use assets                                                | 17    | 12,649           | 11,770           |
| Investment properties                                              | 18    | 24,516           | 27,520           |
| Investment in associates                                           | 19    | 10,134           | 10,515           |
| Financial assets at fair value through<br>profit or loss ("FVTPL") | 24    | 13,626           | 4,015            |
| Statutory deposits placed with clearing house                      |       | 255              | 205              |
| Deferred tax assets                                                | 29    | –                | 19,630           |
|                                                                    |       | <b>87,204</b>    | 101,849          |
| Current assets                                                     |       |                  |                  |
| Inventories                                                        | 20    | 13,962           | 28,245           |
| Trade and other receivables and prepayments                        | 21    | 106,550          | 145,768          |
| Loan receivables                                                   | 22    | 1,200,710        | 1,452,708        |
| Financial assets at FVTPL                                          | 24    | 90,100           | 143,577          |
| Tax recoverable                                                    |       | 9                | –                |
| Bank balances (trust and segregated accounts)                      | 25    | 9,098            | 9,139            |
| Bank balances (general accounts) and cash                          | 25    | 175,020          | 149,784          |
|                                                                    |       | <b>1,595,449</b> | 1,929,221        |
| Current liabilities                                                |       |                  |                  |
| Trade and other payables and accruals                              | 26    | 178,705          | 152,827          |
| Lease liabilities                                                  | 28    | 855              | 231              |
| Tax payable                                                        |       | 18,752           | 17,888           |
|                                                                    |       | <b>198,312</b>   | 170,946          |
| Net current assets                                                 |       | <b>1,397,137</b> | 1,758,275        |
| Total assets less current liabilities                              |       | <b>1,484,341</b> | 1,860,124        |

## Consolidated Statement of Financial Position

As at 31 December 2022

|                           | NOTES | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------|-------|------------------|------------------|
| Capital and reserves      |       |                  |                  |
| Share capital             | 30    | 2,304            | 690,968          |
| Reserves                  |       | 678,858          | 364,548          |
|                           |       | 681,162          | 1,055,516        |
| Non-controlling interests |       | (403)            | 161              |
| Total equity              |       | 680,759          | 1,055,677        |
| Non-current liabilities   |       |                  |                  |
| Bonds                     | 27    | 789,739          | 786,889          |
| Deferred tax liabilities  | 29    | 13,843           | 17,360           |
| Lease liabilities         | 28    | –                | 198              |
|                           |       | 803,582          | 804,447          |
|                           |       | 1,484,341        | 1,860,124        |

The consolidated financial statements on pages 56 to 157 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

**Leung Kam Por, Ken**  
DIRECTOR

**Ho Kuan Lai**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

|                                               | Attributable to owners of the Company |                              |                                            |                     |                     |                     |                                                |                                   |                       |                                              | Total<br>HK\$'000 |         |
|-----------------------------------------------|---------------------------------------|------------------------------|--------------------------------------------|---------------------|---------------------|---------------------|------------------------------------------------|-----------------------------------|-----------------------|----------------------------------------------|-------------------|---------|
|                                               | Share<br>capital<br>HK\$'000          | Share<br>premium<br>HK\$'000 | Special<br>reserve<br>HK\$'000<br>(Note a) | Property            | Translation         | Capital             | Contributed<br>surplus<br>HK\$'000<br>(Note e) | Accumulated<br>losses<br>HK\$'000 | Sub-total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 |                   |         |
|                                               |                                       |                              |                                            | revaluation         | reserve             | redemption          |                                                |                                   |                       |                                              |                   | reserve |
|                                               |                                       |                              |                                            | reserve<br>(Note b) | reserve<br>(Note c) | reserve<br>(Note d) |                                                |                                   |                       |                                              |                   |         |
| At 1 January 2021                             | 690,968                               | 352,753                      | 38,510                                     | 39,242              | 8,545               | 1,270               | -                                              | (17,175)                          | 1,114,113             | 384                                          | 1,114,497         |         |
| Loss for the year                             | -                                     | -                            | -                                          | -                   | -                   | -                   | -                                              | (65,709)                          | (65,709)              | (223)                                        | (65,932)          |         |
| Exchange differences arising from translation | -                                     | -                            | -                                          | -                   | 4,707               | -                   | -                                              | -                                 | 4,707                 | -                                            | 4,707             |         |
| Gains on property revaluation                 | -                                     | -                            | -                                          | 2,405               | -                   | -                   | -                                              | -                                 | 2,405                 | -                                            | 2,405             |         |
| Total comprehensive expense for the year      | -                                     | -                            | -                                          | 2,405               | 4,707               | -                   | -                                              | (65,709)                          | (58,597)              | (223)                                        | (58,820)          |         |
| At 31 December 2021                           | 690,968                               | 352,753                      | 38,510                                     | 41,647              | 13,252              | 1,270               | -                                              | (82,884)                          | 1,055,516             | 161                                          | 1,055,677         |         |
| Loss for the year                             | -                                     | -                            | -                                          | -                   | -                   | -                   | -                                              | (367,073)                         | (367,073)             | (564)                                        | (367,637)         |         |
| Exchange differences arising from translation | -                                     | -                            | -                                          | -                   | (13,390)            | -                   | -                                              | -                                 | (13,390)              | -                                            | (13,390)          |         |
| Gains on property revaluation                 | -                                     | -                            | -                                          | 6,109               | -                   | -                   | -                                              | -                                 | 6,109                 | -                                            | 6,109             |         |
| Total comprehensive expense for the year      | -                                     | -                            | -                                          | 6,109               | (13,390)            | -                   | -                                              | (367,073)                         | (374,354)             | (564)                                        | (374,918)         |         |
| Capital reduction                             | (688,664)                             | -                            | -                                          | -                   | -                   | -                   | 688,664                                        | -                                 | -                     | -                                            | -                 |         |
| At 31 December 2022                           | 2,304                                 | 352,753                      | 38,510                                     | 47,756              | (138)               | 1,270               | 688,664                                        | (449,957)                         | 681,162               | (403)                                        | 680,759           |         |

## Notes:

- The special reserve of the Group represents the difference between the nominal value of shares of Lerado Group Limited, a subsidiary of the Company, together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.
- The property revaluation reserve represents cumulative gains and losses, and deferred tax effects arising from revaluation of the corresponding properties that have been recognised in other comprehensive income. Such items will not be reclassified to profit or loss in subsequent periods.
- Translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) that are recognised directly in other comprehensive income and accumulated in the Translation reserve. Such exchange differences accumulated in the Translation reserve are reclassified to profit or loss on the disposal of the foreign operations.
- The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.
- The contributed surplus represents the capital reduction of the nominal value of issued ordinary shares from HK\$5.0 each to HK\$0.01 each by a cancellation of such amount of the paid-up capital on each issued ordinary share and an extinguishment and reduction of any part of the capital not paid up on any issued ordinary share so that each existing issued ordinary share will be treated as one fully paid up share of par value of HK\$0.01 on 13 January 2022.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2022

|                                                                          | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------------------------------------|------------------|------------------|
| OPERATING ACTIVITIES                                                     |                  |                  |
| Loss before taxation                                                     |                  |                  |
| From continuing operations                                               | (345,563)        | (62,894)         |
| From a discontinued operation                                            | –                | (2,994)          |
| Adjustments for:                                                         |                  |                  |
| Depreciation of property, plant and equipment                            | 5,070            | 3,399            |
| Depreciation of right-of-use assets                                      | 867              | 489              |
| Finance costs                                                            | 70,447           | 61,825           |
| Impairment loss recognised on financial assets<br>at amortised cost, net | 318,160          | 96,798           |
| Bank interest income                                                     | (811)            | (526)            |
| Other interest income                                                    | –                | (143)            |
| Fair value changes of:                                                   |                  |                  |
| – investment properties                                                  | 1,149            | (4,946)          |
| – financial assets at FVTPL                                              | 51,557           | (3,822)          |
| Loss/(gain) on disposal of property, plant and equipment                 | 22               | (24)             |
| Loss on disposal of subsidiaries                                         | –                | 2,039            |
| Share of result of an associate                                          | (530)            | (565)            |
| Reversal of allowance for inventories                                    | 401              | (4,025)          |
| Early termination of lease                                               | –                | 143              |
| Early redemption of bond                                                 | –                | 365              |
| Written off of property, plant and equipment                             | 380              | 18               |
| Impairment loss on investment in an associate                            | –                | 166              |
| Operating cash flows before movements in working capital                 | 101,149          | 85,303           |
| Decrease/(increase) in inventories                                       | 11,956           | (9,776)          |
| Decrease in trade and other receivables                                  | 8,678            | 14,780           |
| Increase in loan receivables                                             | (36,241)         | (121,557)        |
| Increase in financial assets at FVTPL                                    | (4,865)          | (38,336)         |
| Decrease in bank balances – trust and segregated accounts                | 41               | 17,397           |
| Increase in trade and other payables and accruals                        | 14,449           | 8,279            |
| Cash generated from/(used in) operations                                 | 95,167           | (43,910)         |
| Income tax paid, net                                                     | (1,589)          | 721              |
| Interest paid                                                            | (24,168)         | (34,717)         |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES                             | 69,410           | (77,906)         |

## Consolidated Statement of Cash Flows

For the year ended 31 December 2022

|                                                                                                           | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|
| INVESTING ACTIVITIES                                                                                      |                  |                  |
| Purchase of property, plant and equipment                                                                 | (369)            | (2,430)          |
| Proceed from disposal of property, plant and equipment                                                    | 4                | 47               |
| Interest received                                                                                         | 811              | 669              |
| Payments for right of use assets                                                                          | (232)            | –                |
| Purchase of financial assets at FVTPL                                                                     | (2,826)          | –                |
| Net cash inflow from disposal of subsidiaries                                                             | –                | 9,765            |
| Placement of statutory deposit                                                                            | (50)             | –                |
| NET CASH (USED IN)/FROM INVESTING ACTIVITIES                                                              | (2,662)          | 8,051            |
| FINANCING ACTIVITIES                                                                                      |                  |                  |
| Repayment of lease liabilities                                                                            | (742)            | (127)            |
| Repayment of bonds                                                                                        | (30,200)         | (5,500)          |
| Repayment of term loan                                                                                    | –                | (1,713)          |
| NET CASH USED IN FINANCING ACTIVITIES                                                                     | (30,942)         | (7,340)          |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS                                                      | 35,806           | (77,195)         |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR                                                        | 149,784          | 225,243          |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES                                                                   | (10,570)         | 1,736            |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR,<br>represented by bank balances (general accounts) and cash | 175,020          | 149,784          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 1. GENERAL

Lerado Financial Group Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company in Hong Kong is at Flat F&G, 4/F., Golden Sun Centre, 59-67 Bonham Strand West, Sheung Wan, Hong Kong.

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

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

### (A) 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 annual periods beginning on or after 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### (B) 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 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts <sup>1</sup>                                                                                                 |
| Amendments to HKFRS 10 and HKAS 28                                             | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>                               |
| Amendments to HKFRS 16                                                         | Lease Liability in a Sale and Leaseback <sup>3</sup>                                                                             |
| Amendments to HKAS 1                                                           | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup> |
| Amendment to HKAS 1                                                            | Non-current Liabilities with Covenants <sup>3</sup>                                                                              |
| Amendments to HKAS 1 and HKFRS Practice Statement 2                            | Disclosure of Accounting Policies <sup>1</sup>                                                                                   |
| Amendments to HKAS 8                                                           | Definition of Accounting Estimates <sup>1</sup>                                                                                  |
| Amendments to HKAS 12                                                          | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>                                    |

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements 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

### 3.1 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 properties and financial instruments that are measured at revalued amounts or 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.

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, 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*.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

# 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)*

### 3.1 Basis of preparation of consolidated financial statements *(continued)*

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

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

### 3.2 Significant accounting policies

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entity) 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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Basis of consolidation (continued)***

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### ***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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Investment in associates*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assess whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Investment in associates (continued)***

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investor with resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### ***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.

# 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)*

### 3.2 Significant accounting policies *(continued)*

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

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 or enhances an asset that the customer controls as the Group performs; or
- 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.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.



# 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)*

### 3.2 Significant accounting policies *(continued)*

#### **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, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *The Group as a lessee*

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line 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.



# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### *The Group as a lessee (continued)*

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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 is 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 that do not meet the definition of investment property as a separate line on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

##### Refundable rental deposits

Refundable rental deposits paid are accounted 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.

The lease payments include fixed lease payments (including in-substance fixed payments).

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

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### **Leases** *(continued)*

##### *The Group as a lessee (continued)*

##### Lease liabilities (continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the 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 expected payment under a guaranteed residual value, 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

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, 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, less any lease incentives receivable, 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### *The Group as a 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.

##### Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Leases (continued)***

##### *As a lessor*

The Group enters into lease agreements as a lessor with respect to its investment properties to other parties.

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Rental income from leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### ***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 exchanges prevailing on 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.

The functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the group entity. The group entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. At the date of the change, the group entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Foreign currencies (continued)***

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in 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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### ***Borrowing costs***

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

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### **Government grants**

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

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

#### **Employee benefits**

##### **Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *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 employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### **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 before tax” as reported in the consolidated statement of profit or loss and other comprehensive income 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.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Taxation (continued)***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, 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 interest 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.

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 purpose of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.



# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Taxation (continued)***

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 it relates 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### ***Property, plant and equipment***

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising on the revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Property, plant and equipment*** *(continued)*

Depreciation is recognised so as to write off the cost of assets other than construction in progress 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 estimate accounted for on a prospective basis.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

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.

#### ***Investment properties***

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

#### ***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).

#### ***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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

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/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
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition 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.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial assets (continued)*

##### Classification and subsequent measurement of financial assets *(continued)*

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 “other gains or losses, net” line item.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performed impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, deposits, loan receivables and bank balances) and other items (finance lease receivables) which are subject to impairment assessment 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. Assessments are 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.

The Group always recognises lifetime ECL for trade receivables (excepts for receivables from margin clients).

For all other 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, in which case 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.



# 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)*

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial assets (continued)*

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

##### (i) Significant increase in credit risk *(continued)*

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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.



# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

#### (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 a financial asset is more than 90 days past due (except for receivables from margin clients where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), 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 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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial assets (continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9  
*(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, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. 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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables (except margin clients) using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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. For a lease receivable, the cash flow used for determining the ECL is consistent with the cashflows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

#### (v) Measurement and recognition of ECL *(continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loans receivable where the corresponding adjustment is recognised through a loss allowance account.

#### 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Financial instruments*** *(continued)*

##### *Financial liabilities and equity instruments*

##### Classification as debt or equity

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

##### Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the group 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 trade and other payables and accrual, bonds 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.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment 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.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

# 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)*

### 3.2 Significant accounting policies *(continued)*

#### ***Impairment on property, plant and equipment and right-of-use assets (continued)***

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 (or a cash-generating unit) 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 ongoing 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.

### Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other 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 within the next financial year.

#### ***Impairment assessment under ECL for trade receivables arising from medical products and plastic toys business***

Trade receivables arising from medical products and plastic toys business with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables arising from medical products and plastic toys business which are individually insignificant. The provision rates are based on past due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 34.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### **Key sources of estimation uncertainty *(continued)***

#### ***Impairment assessment under ECL for loan receivables, trade receivables arising from securities brokerage business, other receivable and finance lease receivables***

The Group estimates the amount of loss allowance for ECL on its loan receivables, trade receivables arising from securities brokerage business and finance lease receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables. The assessment of the credit risk of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

#### ***Significant increase of credit risk***

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Details of loan receivables, trade receivables arising from securities brokerage business, other receivable and finance lease receivables are set out in Note 21, 22 and 23.

#### ***Establishing groups of assets with similar credit risk characteristics***

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 34 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### ***Models and assumptions used***

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### ***Impairment assessment under ECL for loan receivables, trade receivables arising from securities brokerage business, other receivable and finance lease receivables (continued)***

##### *Forward-looking information*

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

##### *Probability of default (PD)*

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

##### *Loss given default (LGD)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

## 5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments”, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) in order to allocate resources to the segment and to assess its performance. The Group’s executive directors are the CODM for the purposes of HKFRS 8 as they collectively make strategic decisions in allocating the Group’s resources and assessing performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following three operating and reportable segments:

|                                                             |                                                                                                                   |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Medical products and plastic toys business                  | Manufacturing and distribution of medical care products and plastic toys                                          |
| Securities brokerage business and asset management services | Securities brokerage, margin financing and underwriting and placements and provision of asset management services |
| Money lending business and other financial services         | Provision of loan services and other financial services                                                           |

An operating segment regarding the garments trading and sourcing was discontinued in the current year. The segment information reported on the following does not include any amounts for this discontinued operation, which are described in more detail as below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Revenue

An analysis of the Group's revenue by major goods and services categories for the year are as follows:

|                                       | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| <b>Continuing operations</b>          |                  |                  |
| Medical products                      | 85,528           | 70,129           |
| Plastic toys                          | 7,415            | 12,373           |
| Fee and commission income             | 1,169            | 1,764            |
| Revenue from contracts with customers | 94,112           | 84,266           |
| Interest income from                  |                  |                  |
| – Loan receivables                    | 122,093          | 124,196          |
| – Margin financing                    | 2,033            | 6,825            |
|                                       | 124,126          | 131,021          |
|                                       | 218,238          | 215,287          |

|                                      | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| <b>Timing of revenue recognition</b> |                  |                  |
| A point in time                      | 94,112           | 84,266           |
| Over time                            | –                | –                |
|                                      | 94,112           | 84,266           |

### Performance obligations for contracts with customers

#### Medical products

For sales of medical products to international customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. The normal credit term is 30 days upon delivery.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Performance obligations for contracts with customers (continued)

#### Plastic toys

For sales of plastic toys to international customers and the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. The normal credit term is 30 to 90 days upon delivery.

#### Segment revenue and results

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

|                                                    | Medical<br>products and<br>plastic toys<br>business<br>HK\$'000 | Securities<br>brokerage<br>business<br>and asset<br>management<br>services<br>HK\$'000 | Money<br>lending<br>business<br>and<br>other<br>financial<br>services<br>HK\$'000 | Consolidated<br>HK\$'000 |
|----------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------|
| <b>For the year ended 31 December 2022</b>         |                                                                 |                                                                                        |                                                                                   |                          |
| <b>Continuing operations</b>                       |                                                                 |                                                                                        |                                                                                   |                          |
| Segment revenue – external                         | 92,943                                                          | 2,074                                                                                  | 123,221                                                                           | 218,238                  |
| Segment results                                    | (7,724)                                                         | (34,319)                                                                               | (172,842)                                                                         | (214,885)                |
| Changes in fair value of:                          |                                                                 |                                                                                        |                                                                                   |                          |
| – investment properties                            |                                                                 |                                                                                        |                                                                                   | (1,149)                  |
| – financial assets at FVTPL                        |                                                                 |                                                                                        |                                                                                   | (51,557)                 |
| Property rental income                             |                                                                 |                                                                                        |                                                                                   | 1,875                    |
| Share of results of an associate                   |                                                                 |                                                                                        |                                                                                   | 530                      |
| Unallocated corporate income                       |                                                                 |                                                                                        |                                                                                   | 7,808                    |
| Unallocated corporate expenses                     |                                                                 |                                                                                        |                                                                                   | (88,185)                 |
| Loss before taxation from<br>continuing operations |                                                                 |                                                                                        |                                                                                   | (345,563)                |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

|                                                    | Medical<br>products and<br>plastic toys<br>business<br>HK\$'000 | Securities<br>brokerage<br>business<br>and asset<br>management<br>services<br>HK\$'000 | Money<br>lending<br>business<br>and<br>other<br>financial<br>services<br>HK\$'000 | Consolidated<br>HK\$'000 |
|----------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------|
| <b>For the year ended 31 December 2021</b>         |                                                                 |                                                                                        |                                                                                   |                          |
| <b>Continuing operations</b>                       |                                                                 |                                                                                        |                                                                                   |                          |
| Segment revenue – external                         | 82,502                                                          | 6,993                                                                                  | 125,792                                                                           | 215,287                  |
| Segment results                                    | (8,691)                                                         | (4,024)                                                                                | 22,059                                                                            | 9,344                    |
| Changes in fair value of:                          |                                                                 |                                                                                        |                                                                                   |                          |
| – investment properties                            |                                                                 |                                                                                        |                                                                                   | 5,146                    |
| – financial assets at FVTPL                        |                                                                 |                                                                                        |                                                                                   | 3,822                    |
| Property rental income                             |                                                                 |                                                                                        |                                                                                   | 2,349                    |
| Loss on disposal of subsidiaries                   |                                                                 |                                                                                        |                                                                                   | 2,207                    |
| Share of results of an associate                   |                                                                 |                                                                                        |                                                                                   | 565                      |
| Unallocated corporate income                       |                                                                 |                                                                                        |                                                                                   | 499                      |
| Unallocated corporate expenses                     |                                                                 |                                                                                        |                                                                                   | (86,826)                 |
| Loss before taxation from<br>continuing operations |                                                                 |                                                                                        |                                                                                   | (62,894)                 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of changes in fair value of investment properties and financial assets at FVTPL, property rental income, loss on disposal of subsidiaries, share of results of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resources allocations and, performance assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

|                               | Medical<br>products and<br>plastic toys<br>business<br>HK\$'000 | Securities<br>brokerage<br>business<br>and asset<br>management<br>services<br>HK\$'000 | Money<br>lending<br>business<br>and other<br>financial<br>services<br>HK\$'000 | Consolidated<br>HK\$'000 |
|-------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------|
| <b>As at 31 December 2022</b> |                                                                 |                                                                                        |                                                                                |                          |
| <b>Continuing operations</b>  |                                                                 |                                                                                        |                                                                                |                          |
| Segment assets                | 146,215                                                         | 137,533                                                                                | 1,242,032                                                                      | 1,525,780                |
| Investment properties         |                                                                 |                                                                                        |                                                                                | 24,516                   |
| Investment in associates      |                                                                 |                                                                                        |                                                                                | 10,134                   |
| Financial assets at FVTPL     |                                                                 |                                                                                        |                                                                                | 103,726                  |
| Other unallocated assets      |                                                                 |                                                                                        |                                                                                | 18,497                   |
| Total assets                  |                                                                 |                                                                                        |                                                                                | 1,682,653                |
| Segment liabilities           | 40,397                                                          | 82,128                                                                                 | 21,022                                                                         | 143,547                  |
| Bonds                         |                                                                 |                                                                                        |                                                                                | 789,739                  |
| Other unallocated liabilities |                                                                 |                                                                                        |                                                                                | 68,608                   |
| Total liabilities             |                                                                 |                                                                                        |                                                                                | 1,001,894                |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

|                               | Medical<br>products and<br>plastic toys<br>business<br>HK\$'000 | Securities<br>brokerage<br>business<br>and asset<br>management<br>services<br>HK\$'000 | Money<br>lending<br>business<br>and other<br>financial<br>services<br>HK\$'000 | Consolidated<br>HK\$'000 |
|-------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------|
| <b>As at 31 December 2021</b> |                                                                 |                                                                                        |                                                                                |                          |
| <b>Continuing operations</b>  |                                                                 |                                                                                        |                                                                                |                          |
| Segment assets                | 130,568                                                         | 183,063                                                                                | 1,516,037                                                                      | 1,829,668                |
| Investment properties         |                                                                 |                                                                                        |                                                                                | 27,520                   |
| Investment in associates      |                                                                 |                                                                                        |                                                                                | 10,515                   |
| Financial assets at FVTPL     |                                                                 |                                                                                        |                                                                                | 147,592                  |
| Other unallocated assets      |                                                                 |                                                                                        |                                                                                | 15,775                   |
| Total assets                  |                                                                 |                                                                                        |                                                                                | 2,031,070                |
| Segment liabilities           | 59,795                                                          | 22,577                                                                                 | 23,344                                                                         | 105,716                  |
| Bonds                         |                                                                 |                                                                                        |                                                                                | 786,889                  |
| Other unallocated liabilities |                                                                 |                                                                                        |                                                                                | 82,788                   |
| Total liabilities             |                                                                 |                                                                                        |                                                                                | 975,393                  |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets, other than investment properties, investment in associates, financial assets at FVTPL and assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than bonds and liabilities of the investment holding companies, are allocated to reportable and operating segments.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Other segment information

For the year ended 31 December 2022

#### Continuing operations

Amounts included in the measure of segment profit or loss or segment assets:

Additions to property,

plant and equipment

Depreciation of property,

plant and equipment

Depreciation of right-of-use assets

Provision of allowance

for inventories

Impairment loss recognised on financial assets at amortised cost, net

| Medical products and plastic toys business<br>HK\$'000 | Securities brokerage business and asset management services<br>HK\$'000 | Money lending business and other financial services<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------|--------------------------|
| 369                                                    | -                                                                       | -                                                               | -                       | 369                      |
| 4,713                                                  | 357                                                                     | -                                                               | -                       | 5,070                    |
| 347                                                    | -                                                                       | 520                                                             | -                       | 867                      |
| 401                                                    | -                                                                       | -                                                               | -                       | 401                      |
| 195                                                    | 29,726                                                                  | 288,239                                                         | -                       | 318,160                  |

For the year ended 31 December 2021

#### Continuing operations

Amounts included in the measure of segment profit or loss or segment assets:

Additions to property,

plant and equipment

Depreciation of property,

plant and equipment

Depreciation of right-of-use assets

Reversal of allowance

for inventories

Impairment loss recognised/ (reversed) on financial assets at amortised cost, net

| Medical products and plastic toys business<br>HK\$'000 | Securities brokerage business and asset management services<br>HK\$'000 | Money lending business and other financial services<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------|--------------------------|
| 314                                                    | 2,116                                                                   | -                                                               | -                       | 2,430                    |
| 3,137                                                  | 108                                                                     | 154                                                             | -                       | 3,399                    |
| 360                                                    | -                                                                       | -                                                               | 48                      | 408                      |
| (4,025)                                                | -                                                                       | -                                                               | -                       | (4,025)                  |
| 1,816                                                  | (4,565)                                                                 | 68,242                                                          | 31,305                  | 96,798                   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Geographical information

The Group's operations are principally located in the People's Republic of China (the "PRC") and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the locations of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

|                               | Revenue from<br>external customers |                  | Non-current assets |                  |
|-------------------------------|------------------------------------|------------------|--------------------|------------------|
|                               | 2022<br>HK\$'000                   | 2021<br>HK\$'000 | 2022<br>HK\$'000   | 2021<br>HK\$'000 |
| Hong Kong                     | 125,295                            | 132,785          | 2,580              | 2,447            |
| Europe*                       | 71,870                             | 55,754           | –                  | –                |
| The United States of America  | 11,603                             | 12,724           | –                  | –                |
| The PRC (excluding Hong Kong) | 5,732                              | 6,795            | 60,609             | 65,037           |
| Australia                     | 1,513                              | 1,183            | –                  | –                |
| South America                 | 8                                  | 58               | –                  | –                |
| Others*                       | 2,217                              | 5,988            | –                  | –                |
|                               | <b>218,238</b>                     | <b>215,287</b>   | <b>63,189</b>      | <b>67,484</b>    |

\* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

*Note:* Non-current assets excluded those relating to discontinued operation and investment in associates, financial assets at FVTPL, statutory deposits placed with clearing house and deferred tax assets.

### Information about major customers

The Group's revenue from continuing operations from external customers is mainly derived from the PRC and Hong Kong. For the years ended 31 December 2022 and 2021, there was no revenue from transactions with a single customer amounted to 10% or more of the total revenue.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. OTHER INCOME

|                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------------------|------------------|------------------|
| <b>Continuing operations</b> |                  |                  |
| Bank interest income         | 811              | 526              |
| Other interest income        | –                | 143              |
| Rental income                | 1,875            | 2,349            |
| Other commission income      | 231              | 855              |
| Government grants            | 295              | –                |
| Early termination of lease   | –                | (143)            |
| Early redemption of bond     | –                | (365)            |
| Others                       | 6,471            | (517)            |
|                              | <b>9,683</b>     | <b>2,848</b>     |

## 7. OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS AT AMORTISED COST, NET

### (a) Other gains and losses, net

|                                                          | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------------------------------------------------|------------------|------------------|
| <b>Continuing operations</b>                             |                  |                  |
| Fair value changes of:                                   |                  |                  |
| – investment properties                                  | (1,149)          | 5,146            |
| – financial assets at FVTPL                              | (51,557)         | 3,822            |
| (Loss)/Gain on disposal of property, plant and equipment | (22)             | 24               |
| Loss on disposal of subsidiaries                         | –                | (2,207)          |
| Impairment loss on investment in associates              | –                | (166)            |
|                                                          | <b>(52,728)</b>  | <b>6,619</b>     |

### (b) Impairment loss recognised on financial assets at amortised cost, net

|                                                                          | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------------------------------------|------------------|------------------|
| <b>Continuing operations</b>                                             |                  |                  |
| Impairment loss (recognised)/reversed on trade receivables arising from: |                  |                  |
| – medical products and plastic toys business and trading of garments     | (195)            | (516)            |
| – securities brokerage business                                          | (29,726)         | 4,565            |
| Impairment loss recognised on loan receivables                           | (288,239)        | (66,794)         |
| Impairment loss recognised on other receivables                          | –                | (34,053)         |
|                                                                          | <b>(318,160)</b> | <b>(96,798)</b>  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 8. FINANCE COSTS

|                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------------------|------------------|------------------|
| <b>Continuing operations</b> |                  |                  |
| Interests on                 |                  |                  |
| – Bank overdrafts and loans  | –                | 780              |
| – Bonds                      | 70,412           | 60,923           |
| – Lease liabilities          | 35               | 3                |
|                              | <b>70,448</b>    | <b>61,706</b>    |

## 9. INCOME TAX EXPENSE

|                                       | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| <b>Continuing operations</b>          |                  |                  |
| Current tax:                          |                  |                  |
| Hong Kong Profits Tax                 | –                | –                |
| The PRC Enterprise Income Tax (“EIT”) | 2,444            | 620              |
|                                       | <b>2,444</b>     | <b>620</b>       |
| Over-provision in prior years:        |                  |                  |
| Hong Kong Profits Tax                 | –                | –                |
| The PRC EIT                           | –                | (263)            |
|                                       | <b>–</b>         | <b>(263)</b>     |
| Deferred taxation:                    |                  |                  |
| Current year                          | 19,630           | (313)            |
|                                       | <b>22,074</b>    | <b>44</b>        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 9. INCOME TAX EXPENSE (continued)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Corporate Income Tax in Taiwan is charged at 17% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The income tax expense can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

|                                                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------------------------------------------------------------------|------------------|------------------|
| Loss before taxation from continuing operations                              | (345,563)        | (62,894)         |
| Tax credit at Hong Kong Profits Tax rate of 16.5%                            | (57,018)         | (10,378)         |
| Tax effect of share of result of an associate                                | (87)             | (93)             |
| Tax effect of expenses not deductible for tax purposes                       | 8,860            | 7,327            |
| Tax effect of income not taxable for tax purposes                            | (145)            | (2,193)          |
| Tax effect of temporary differences not recognised                           | 729              | (1,330)          |
| Tax effect of tax losses not recognised                                      | 72,913           | 7,355            |
| Tax effect of tax losses utilised                                            | (3,805)          | (502)            |
| Over-provision in prior years                                                | –                | (263)            |
| Effect of different tax rates of subsidiaries operate in other jurisdictions | 627              | 121              |
| Income tax expense                                                           | 22,074           | 44               |

Details of movements in deferred taxation are set out in note 29.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 10. LOSS FOR THE YEAR

|                                                                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------------------------------------------------------------------------------------|------------------|------------------|
| Loss for the year from continuing operations has been arrived at after charging/(crediting): |                  |                  |
| Salaries and allowances, including those of directors                                        | 25,511           | 31,186           |
| Contributions to retirement benefit schemes, including those of directors                    | 780              | 984              |
| Total employee benefits expense, including those of directors                                | 26,291           | 32,170           |
| Auditor's remuneration                                                                       | 710              | 710              |
| Cost of inventories recognised as an expense                                                 | 72,866           | 67,551           |
| Depreciation of property, plant and equipment                                                | 5,070            | 3,399            |
| Depreciation of right-of-use assets                                                          | 867              | 489              |
| Written off of property, plant and equipment                                                 | 380              | 18               |
| Provision/(Reversal) of allowance for inventories                                            | 401              | (4,025)          |

## 11. DISCONTINUED OPERATIONS

On 1 April 2021, the Group entered into the sale and purchase agreement with an independent third party to dispose of all its 100% equity interest of Brilliant Summit Limited, a wholly-owned subsidiary of the Company which carried out all of the Group's garments trading and sourcing operation. The transaction was completed on 8 April 2021 at a consideration of HK\$650,000, on which date control of Brilliant Summit Limited passed to the acquirer. The analysis of the results of discontinued operation is as follows:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 11. DISCONTINUED OPERATIONS (continued)

The loss for the year from the discontinued garments trading and sourcing operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the garments trading and sourcing operation as a discontinued operation.

|                                                                | Period ended<br>8 April<br>2021<br>HK\$'000 |
|----------------------------------------------------------------|---------------------------------------------|
| Loss of garments trading and sourcing operation for the period | (3,162)                                     |
| Gain on disposal of garments trading and sourcing operation    | 168                                         |
|                                                                | (2,994)                                     |

The result of the garments trading and sourcing operation for the period from 1 January 2021 to 8 April 2021, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

|                                                                                       | Period ended<br>8 April<br>2021<br>HK\$'000 |
|---------------------------------------------------------------------------------------|---------------------------------------------|
| Revenue                                                                               | 260                                         |
| Other income                                                                          | 57                                          |
| Other gain and losses, net                                                            | (200)                                       |
| Administrative expenses                                                               | (3,155)                                     |
| Finance cost                                                                          | (124)                                       |
| Loss before taxation                                                                  | (3,162)                                     |
| Income tax expenses                                                                   | –                                           |
| Loss from discontinued operation for the period attributable to owners of the Company | (3,162)                                     |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 11. DISCONTINUED OPERATIONS (continued)

As referred to above, the Group discontinued its garments trading and sourcing operation at the time of disposal of its subsidiary, Brilliant Summit Limited. The net assets of Brilliant Summit Limited at the date of disposal were as follows:

### Analysis of assets and liabilities

|                                             | HK\$'000     |
|---------------------------------------------|--------------|
| Property, plant and equipment               | 190          |
| Investment property                         | 6,800        |
| Right of use assets                         | 243          |
| Cash and cash equivalents                   | 1,423        |
| Trade and other receivables and prepayments | 10,683       |
| Borrowings                                  | (6,295)      |
| Trade and other payables and accruals       | (12,195)     |
| Lease liabilities                           | (367)        |
| <b>Net assets disposed of</b>               | <b>482</b>   |
| Gain on disposal of discontinued operation: |              |
| Cash consideration receivable               | 650          |
| Net assets disposed of                      | (482)        |
| <b>Gain on disposal</b>                     | <b>168</b>   |
| Net cash inflow on disposal of a subsidiary |              |
| Consideration received                      | –            |
| Add: bank overdraft                         | 4,998        |
| Less: cash and bank balance disposal of     | (1,423)      |
|                                             | <b>3,575</b> |

### Analysis of the cash flow of discontinued operation is as follows:

|                                             | Period ended<br>8 April<br>2021<br>HK\$'000 |
|---------------------------------------------|---------------------------------------------|
| Net cash from operating activities          | 3,164                                       |
| Net cash from investing activities          | –                                           |
| Net cash used in financing activities       | (1,803)                                     |
| <b>Net cash from discontinued operation</b> | <b>1,361</b>                                |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

2022

|                                            | Fees<br>HK\$'000 | Salaries<br>and<br>allowances<br>HK\$'000 | Contribution<br>to retirement<br>benefits<br>scheme<br>HK\$'000 | Total<br>emoluments<br>HK\$'000 |
|--------------------------------------------|------------------|-------------------------------------------|-----------------------------------------------------------------|---------------------------------|
| <b>Executive directors</b>                 |                  |                                           |                                                                 |                                 |
| Chen Chun Chieh                            | –                | 1,267                                     | 39                                                              | 1,306                           |
| Leung Kam Por Ken                          | –                | 240                                       | 12                                                              | 252                             |
| Ho Kuan Lai                                | –                | 960                                       | –                                                               | 960                             |
| <b>Independent non-executive directors</b> |                  |                                           |                                                                 |                                 |
| Lam Williamson                             | 144              | –                                         | –                                                               | 144                             |
| Yu Tat Chi Michael                         | 216              | –                                         | –                                                               | 216                             |
| Yang Haihui                                | 120              | –                                         | –                                                               | 120                             |
| <b>Total</b>                               | <b>480</b>       | <b>2,467</b>                              | <b>51</b>                                                       | <b>2,998</b>                    |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 12. DIRECTORS' EMOLUMENTS (continued)

2021

|                                            | Fees<br>HK\$'000 | Salaries<br>and<br>allowances<br>HK\$'000 | Contribution<br>to retirement<br>benefits<br>scheme<br>HK\$'000 | Total<br>emoluments<br>HK\$'000 |
|--------------------------------------------|------------------|-------------------------------------------|-----------------------------------------------------------------|---------------------------------|
| <b>Executive directors</b>                 |                  |                                           |                                                                 |                                 |
| Chen Chun Chieh                            | –                | 1,297                                     | 39                                                              | 1,336                           |
| Leung Kam Por Ken                          | –                | 240                                       | 12                                                              | 252                             |
| Ho Kuan Lai                                | –                | 960                                       | –                                                               | 960                             |
| <b>Independent non-executive directors</b> |                  |                                           |                                                                 |                                 |
| Lam Williamson                             | 144              | –                                         | –                                                               | 144                             |
| Yu Tat Chi Michael                         | 216              | –                                         | –                                                               | 216                             |
| Yang Haihui                                | 120              | –                                         | –                                                               | 120                             |
| <b>Total</b>                               | <b>480</b>       | <b>2,497</b>                              | <b>51</b>                                                       | <b>3,028</b>                    |

Notes:

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a director 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.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 13. EMPLOYEES' EMOLUMENTS

Among the five individuals with the highest emoluments in the Group for the year ended 31 December 2022, two (2021: two) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining three (2021: three) individuals are as follows:

|                                            | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------|------------------|------------------|
| Salaries and allowance                     | 1,794            | 2,465            |
| Contribution to retirement benefits scheme | 35               | 48               |
|                                            | 1,829            | 2,513            |

Their emoluments were within the following bands:

|                                | 2022 | 2021 |
|--------------------------------|------|------|
| Below HK\$1,000,001            | 3    | 2    |
| HK\$1,000,001 to HK\$1,500,000 | –    | 1    |

No emoluments were paid by the Group to the five highest paid individuals as compensation for loss of office or as a discretionary bonus or an inducement to join or upon joining the Group. None of the five highest paid individuals has waived any emoluments in both years.

## 14. DIVIDENDS

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 15. LOSS PER SHARE

### From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

|                                                                                                                                               | 2022<br>HK\$'000            | 2021<br>HK\$'000            |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Loss for the year attributable to owners of the Company,<br>for the purpose of basic and diluted loss per share<br>from continuing operations | (367,073)                   | (62,715)                    |
|                                                                                                                                               | <b>Number<br/>of shares</b> | <b>Number<br/>of shares</b> |
| Weighted average number of ordinary shares for<br>the purpose of basic and diluted loss per share                                             | 230,322,413                 | 230,322,413                 |

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of every ten ordinary shares of the Company of HK\$0.5 each into one consolidated share of HK\$5.0 each which become effective on 11 January 2022.

Diluted loss per share for the years ended 31 December 2022 and 2021 were the same as basic loss per share as there were no potential ordinary shares in issue for the years ended 31 December 2022 and 2021.

### From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

|                                                                                                                 | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Loss for the year attributable to owners of the Company,<br>for the purpose of basic and diluted loss per share | –                | (65,709)         |

The denominators used are the same as those detailed above for both basic and diluted loss per share.

### From discontinued operations

For the year ended 31 December 2021, basic and diluted loss per share for the discontinued operations is HK1.30 cents per share, based on the loss for the year from the discontinued operations of approximately HK\$2,994,000 and the denominators detailed above for both basic and diluted loss per share.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT

|                                                | Buildings<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------|-----------------------|---------------------------------------|------------------------------------|---------------------------------|-------------------------------|-------------------|
| COST OR VALUATION                              |                       |                                       |                                    |                                 |                               |                   |
| At 1 January 2021                              | 23,646                | 4,295                                 | 20,283                             | 5,516                           | 3,166                         | 56,906            |
| Exchange realignment                           | 719                   | 34                                    | 595                                | 109                             | 33                            | 1,490             |
| Additions                                      | -                     | -                                     | 21                                 | 2,138                           | 271                           | 2,430             |
| Disposal                                       | -                     | -                                     | (29)                               | -                               | (211)                         | (240)             |
| Written off                                    | -                     | (3,124)                               | -                                  | (1,678)                         | -                             | (4,802)           |
| Adjustment on valuation                        | (25)                  | -                                     | -                                  | -                               | -                             | (25)              |
| Transfer to investment properties<br>(note 18) | (489)                 | -                                     | -                                  | -                               | -                             | (489)             |
| Disposal of a subsidiaries                     | -                     | -                                     | -                                  | (6)                             | (1,619)                       | (1,625)           |
| At 31 December 2021 and<br>at 1 January 2022   | 23,851                | 1,205                                 | 20,870                             | 6,079                           | 1,640                         | 53,645            |
| Exchange realignment                           | (3,187)               | (102)                                 | (1,769)                            | (338)                           | (107)                         | (5,503)           |
| Additions                                      | -                     | -                                     | 17                                 | 87                              | 265                           | 369               |
| Disposal                                       | -                     | -                                     | -                                  | -                               | (263)                         | (263)             |
| Written off                                    | -                     | -                                     | -                                  | (396)                           | -                             | (396)             |
| Adjustment on valuation                        | 1,943                 | -                                     | -                                  | -                               | -                             | 1,943             |
| At 31 December 2022                            | 22,607                | 1,103                                 | 19,118                             | 5,432                           | 1,535                         | 49,795            |
| DEPRECIATION AND IMPAIRMENT                    |                       |                                       |                                    |                                 |                               |                   |
| At 1 January 2021                              | -                     | 4,140                                 | 18,468                             | 5,157                           | 2,614                         | 30,379            |
| Exchange realignment                           | 42                    | 30                                    | 554                                | 94                              | 30                            | 750               |
| Provided for the year                          | 2,668                 | 36                                    | 149                                | 302                             | 244                           | 3,399             |
| Disposals                                      | -                     | -                                     | (27)                               | -                               | (190)                         | (217)             |
| Written off                                    | -                     | (3,124)                               | -                                  | (1,660)                         | -                             | (4,784)           |
| Adjustment on valuation                        | (2,710)               | -                                     | -                                  | -                               | -                             | (2,710)           |
| Disposal of a subsidiaries                     | -                     | -                                     | -                                  | (6)                             | (1,360)                       | (1,366)           |
| At 31 December 2021 and<br>at 1 January 2022   | -                     | 1,082                                 | 19,144                             | 3,887                           | 1,338                         | 25,451            |
| Exchange realignment                           | (106)                 | (126)                                 | (1,327)                            | (512)                           | (148)                         | (2,219)           |
| Provided for the year                          | 4,384                 | 34                                    | 145                                | 432                             | 75                            | 5,070             |
| Disposals                                      | -                     | -                                     | -                                  | -                               | (237)                         | (237)             |
| Written off                                    | -                     | -                                     | -                                  | (16)                            | -                             | (16)              |
| Adjustment on valuation                        | (4,278)               | -                                     | -                                  | -                               | -                             | (4,278)           |
| At 31 December 2022                            | -                     | 990                                   | 17,962                             | 3,791                           | 1,028                         | 23,771            |
| CARRYING AMOUNT                                |                       |                                       |                                    |                                 |                               |                   |
| At 31 December 2022                            | 22,607                | 113                                   | 1,156                              | 1,641                           | 507                           | 26,024            |
| At 31 December 2021                            | 23,851                | 123                                   | 1,726                              | 2,192                           | 302                           | 28,194            |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

|                        |                                                          |
|------------------------|----------------------------------------------------------|
| Buildings              | 2% or the remaining period of the leases, if shorter     |
| Leasehold improvements | 10-20% or the remaining period of the leases, if shorter |
| Plant and machinery    | 10-20%                                                   |
| Office equipment       | 20-33 $\frac{1}{3}$ %                                    |
| Motor vehicles         | 20-50%                                                   |

The Group revalued its buildings at 31 December 2022 and 2021. At 31 December 2022, the buildings in the PRC amounting to HK\$22,607,000 (2021: HK\$23,851,000) were valued under depreciated replacement cost approach. The revaluation gain for the year ended 31 December 2022 amounting to HK\$6,221,000 which were debited directly to the property revaluation reserve (2021: revaluation gain of HK\$2,685,000).

### Fair value measurement of the Group's buildings

The fair values of the Group's buildings were revalued at 31 December 2022 and 2021 by independent property valuers not connected to the Group.

The fair values of the remaining buildings in the PRC were determined by using the depreciated replacement cost approach that reflects the cost to a market participant to construct asset of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating of the fair values of buildings, the highest and the best use of the buildings is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's buildings were categorised into Level 3.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

### Fair value measurement of the Group's buildings (continued)

#### Reconciliation of Level 3 fair value measurements

|                                           | Buildings<br>HK\$'000 |
|-------------------------------------------|-----------------------|
| At 1 January 2021                         | 23,646                |
| Exchange realignment                      | 677                   |
| Depreciation                              | (2,668)               |
| Revaluation                               | 2,685                 |
| Transfer to investment properties         | (489)                 |
| At 31 December 2021 and at 1 January 2022 | 23,851                |
| Exchange realignment                      | (3,081)               |
| Depreciation                              | (4,384)               |
| Revaluation                               | 6,221                 |
| At 31 December 2022                       | 22,607                |

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation model.

| Description                         | Fair value as at<br>31 December<br>2022<br>HK\$'000 | 31 December<br>2021<br>HK\$'000 | Valuation<br>techniques                     | Unobservable inputs                                                                                           | Relationship<br>of unobservable<br>inputs of fair value                                                                             |
|-------------------------------------|-----------------------------------------------------|---------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| <b>Buildings located in the PRC</b> |                                                     |                                 |                                             |                                                                                                               |                                                                                                                                     |
| Industrial office units             | 22,607                                              | 23,851                          | Depreciated<br>replacement cost<br>approach | Adjusted building<br>construction cost after<br>taking into account the<br>difference in individual<br>factor | An increase in the building<br>construction cost would<br>result in the increase in the<br>comparable fair value and<br>vice versa. |

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at approximately HK\$3,406,000 (2021: approximately HK\$3,013,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. RIGHT-OF-USE ASSETS

|                                             | Land use<br>rights<br>HK\$'000 | Leasehold<br>building<br>HK\$'000 | Total<br>HK\$'000        |
|---------------------------------------------|--------------------------------|-----------------------------------|--------------------------|
| <b>Cost:</b>                                |                                |                                   |                          |
| At 1 January 2021                           | 12,549                         | 14,753                            | 27,302                   |
| Transfer to investment properties (note 18) | (118)                          | –                                 | (118)                    |
| Early termination of lease                  | –                              | (14,104)                          | (14,104)                 |
| Disposal of subsidiary                      | –                              | (649)                             | (649)                    |
| Addition                                    | –                              | 466                               | 466                      |
| Exchange realignment                        | 366                            | –                                 | 366                      |
| At 31 December 2021                         | 12,797                         | 466                               | 13,263                   |
| Addition                                    | –                              | 1,400                             | 1,400                    |
| Exchange realignment                        | 213                            | –                                 | 213                      |
| At 31 December 2022                         | 13,010                         | 1,866                             | 14,876                   |
| <b>Accumulated depreciation:</b>            |                                |                                   |                          |
| At 1 January 2021                           | 1,060                          | 8,944                             | 10,004                   |
| Charge for the year                         | 360                            | 129                               | 489                      |
| Transfer to investment properties (note 18) | (10)                           | –                                 | (10)                     |
| Early termination of lease                  | –                              | (8,619)                           | (8,619)                  |
| Disposal of subsidiary                      | –                              | (406)                             | (406)                    |
| Exchange realignment                        | 35                             | –                                 | 35                       |
| At 31 December 2021                         | 1,445                          | 48                                | 1,493                    |
| Charge for the year                         | 347                            | 520                               | 867                      |
| Exchange realignment                        | (133)                          | –                                 | (133)                    |
| At 31 December 2022                         | 1,659                          | 568                               | 2,227                    |
| <b>Carrying amount:</b>                     |                                |                                   |                          |
| At 31 December 2022                         | 11,351                         | 1,298                             | 12,649                   |
| At 31 December 2021                         | 11,352                         | 418                               | 11,770                   |
|                                             |                                | <b>2022<br/>HK\$'000</b>          | <b>2021<br/>HK\$'000</b> |
| Total cash outflow for leases               |                                | <b>778</b>                        | <b>127</b>               |

### Notes:

Land use rights represents lump sum considerations paid by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 50 years and there are no ongoing payments to be made under the terms of the land leases.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 18. INVESTMENT PROPERTIES

|                                                                     | HK\$'000 |
|---------------------------------------------------------------------|----------|
| At 1 January 2021                                                   | 65,087   |
| Disposal of subsidiaries                                            | (45,400) |
| Transfer from property, plant and equipment and right-of-use assets | 1,517    |
| Changes in fair value recognised in profit or loss                  | 4,946    |
| Exchange realignment                                                | 1,370    |
| At 31 December 2021 and 1 January 2022                              | 27,520   |
| Changes in fair value recognised in profit or loss                  | (1,149)  |
| Exchange realignment                                                | (1,855)  |
| At 31 December 2022                                                 | 24,516   |

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

During the year ended 31 December 2021, property, plant and equipment and right-of-use assets of HK\$489,000 (2022: HK\$nil) and HK\$108,000 (2022: HK\$nil), respectively were transferred to investment properties due to change of the uses from owner-occupation to earning rentals. The fair value of the properties at the date of transfer was HK\$1,517,000 (2022: HK\$nil). Gains on property revaluation and deferred tax charges of HK\$920,000 (2022: nil) and HK\$1,200,000 (2022: nil) respectively were recognised in other comprehensive income.

The fair values of the Group's investment properties at 31 December 2022 and 2021 have been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

The fair values of industrial office units located in PRC were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the nature, location and condition of the property. There has been no change to the valuation technique during the year.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's investment properties were categorised into Level 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 18. INVESTMENT PROPERTIES (continued)

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

| Description                 | Fair value as at |                  | Valuation technique(s)                | Unobservable inputs                                                                               | Relationship of unobservable inputs to fair value                                                                       |
|-----------------------------|------------------|------------------|---------------------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
|                             | 31 December 2022 | 31 December 2021 |                                       |                                                                                                   |                                                                                                                         |
|                             | HK\$'000         | HK\$'000         |                                       |                                                                                                   |                                                                                                                         |
| Property located in the PRC |                  |                  |                                       |                                                                                                   |                                                                                                                         |
| Industrial office units     | 24,516           | 27,520           | Depreciated replacement cost approach | Adjusted building construction cost after taking into account the difference in individual factor | An increase in the building construction cost would result in the increase in the comparable fair value and vice versa. |

## 19. INVESTMENT IN ASSOCIATES

|                                   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Cost of unlisted investments      | 1,097            | 1,199            |
| Share of post-acquisition results | 1,200            | 754              |
|                                   | 2,297            | 1,953            |
| Loan to an associate (note a)     | 7,837            | 8,562            |
|                                   | 10,134           | 10,515           |

- (a) Loan to an associate is unsecured, non-interest bearing and have no fixed terms of repayment. This is regarded as capital contribution to the associate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 19. INVESTMENT IN ASSOCIATES (continued)

Details of the Group's associates as at 31 December 2022 and 2021 are as follows:

| Name of associate                                 | Place of incorporation/<br>business | Issued and fully paid<br>share capital/registered capital |               | Effective interest in the issued<br>share capital |       | Principal activity |
|---------------------------------------------------|-------------------------------------|-----------------------------------------------------------|---------------|---------------------------------------------------|-------|--------------------|
|                                                   |                                     | 2022                                                      | 2021          | 2022                                              | 2021  |                    |
| 上海勤瑞益安物業管理有限公司<br>("上海勤瑞")                        | PRC                                 | RMB2,000,000                                              | RMB2,000,000  | 49%                                               | 49%   | Investment holding |
| 上海坎菲德企業管理合夥企業<br>(有限合夥)("上海坎菲德") (Note a)         | PRC                                 | RMB50,000,000                                             | RMB50,000,000 | 29.4%                                             | 29.4% | Investment holding |
| 上海激川企業管理合夥企業<br>(有限合夥)("上海激川")<br>(Notes a and b) | PRC                                 | -                                                         | RMB2,790,000  | -                                                 | 36.7% | Investment holding |

Summarised financial information of principal associate 上海勤瑞 is set out below:

|                                                       | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------------------------------------------------|------------------|------------------|
| Total assets                                          | 40,568           | 40,263           |
| Total liabilities                                     | (29,693)         | (29,430)         |
| Net assets                                            | 10,875           | 10,833           |
| Revenue                                               | 2,348            | 1,447            |
| Profit for the year and total comprehensive income    | 1,081            | 1,156            |
| Group's share of result of the associate for the year | 530              | 565              |

Notes:

- (a) 上海坎菲德 and 上海激川 are directly held by 上海勤瑞.
- (b) 上海激川 was deregistered during the year ended 31 December 2022.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 19. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of the above summarised financial information of 上海勤瑞 to the carrying amount of the interest in an associate recognised in these consolidated financial statements:

|                                                        | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| Net assets of 上海勤瑞                                     | 10,875           | 10,833           |
| Less: Non-controlling interests of 上海勤瑞's subsidiaries | (6,187)          | (6,847)          |
|                                                        | 4,688            | 3,986            |
| Proportion of the Group's ownership interest in 上海勤瑞   | 49%              | 49%              |
| Proportion of the Group's interest in 上海勤瑞             | 2,297            | 1,953            |
| Loan to 上海勤瑞                                           | 7,837            | 8,562            |
| Carrying amount of the Group's interest in 上海勤瑞        | 10,134           | 10,515           |

### 20. INVENTORIES

|                  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------|------------------|------------------|
| Raw materials    | 9,710            | 16,356           |
| Work in progress | 1,131            | 3,029            |
| Finished goods   | 3,121            | 8,860            |
|                  | 13,962           | 28,245           |

During the year, provision of allowance of HK\$401,000 (2021: a reversal of allowance of HK\$4,025,000) was recognised in cost of sales for obsolete and slow-moving inventory items identified.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|                                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------------------------------------------------|------------------|------------------|
| Trade receivables arising from:                              |                  |                  |
| Medical products and plastic toys business ( <i>Note a</i> ) | 16,539           | 17,639           |
| Less: allowance for ECL                                      | (3,262)          | (3,080)          |
|                                                              | 13,277           | 14,559           |
| Securities brokerage business ( <i>Note b</i> ):             |                  |                  |
| – Margin clients                                             | 186,358          | 184,324          |
| – Clearing house                                             | –                | –                |
| Less: allowance for ECL                                      | (111,695)        | (81,969)         |
|                                                              | 74,663           | 102,355          |
| Total trade receivables                                      | 87,940           | 116,914          |
| Purchase deposits, other receivables and deposits            | 16,979           | 27,137           |
| Prepayments                                                  | 1,631            | 1,717            |
| Total trade and other receivables and prepayments            | 106,550          | 145,768          |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

- (a) The Group allows an average credit period of 60 days to its trade customers from medical products and plastic toys business and garments trading and sourcing. The following is an aged analysis of trade receivables net of allowance for ECL from medical products and plastic toys business and sourcing presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

|                | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 9,241            | 11,244           |
| 31 to 90 days  | 1,190            | 862              |
| 91-365 days    | 1,376            | 1,353            |
| Over 365 days  | 1,470            | 1,100            |
|                | <b>13,277</b>    | <b>14,559</b>    |

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

- (b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

Trade receivables from margin clients, net of individually impaired receivables, amounting to HK\$63,512,000 (2021 HK\$77,964,000) as at 31 December 2022 are secured by clients' pledged securities with fair value of HK\$53,286,000 (2021: HK\$70,093,000). All of the pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 8% to 15% (2021: ranges from 8% to 15%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

Details of impairment assessment are set out in note 34.

The Group has concentration of credit risk as 54% (2021: 64%) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK\$22,964,000 (2021: HK\$29,449,000) as at 31 December 2022. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

In determining the allowances for impaired margin loans to margin clients, the management of the Group considers the margin shortfall by comparing the market value of stock portfolio and the outstanding balance of margin loan to securities margin clients individually. Impairments are made for those clients with margin shortfall as at year end and with no settlement after the year end.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 22. LOANS RECEIVABLES

|                            | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------------------|------------------|------------------|
| Loans receivables          | 1,185,044        | 1,235,023        |
| Interest receivables       | 359,763          | 291,126          |
|                            | 1,544,807        | 1,526,149        |
| Factoring loan receivables | 18,711           | 18,032           |
|                            | 1,563,518        | 1,544,181        |
| Loss allowance for ECL     | (362,808)        | (91,473)         |
|                            | 1,200,710        | 1,452,708        |
| Analysed as:               |                  |                  |
| Secured                    | 112,054          | 303,281          |
| Unsecured                  | 1,088,656        | 1,149,427        |
|                            | 1,200,710        | 1,452,708        |

The total amounts are repayable on demand or within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 December 2022 was ranged from 6% to 18% per annum (2021: from 6% to 18% per annum).

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell.

For the factoring loan receivables, the credit period granted to each of the customers is generally less than one year. The effective interest rate of the above factoring loan receivables is 15% per annum as at 31 December 2022 (2021: 15%).

In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

Loan receivables, net of individually impaired receivables, amounting to HK\$93,343,000 (2021 HK\$285,249,000) as at 31 December 2022 are secured by clients' pledged securities with fair value of HK\$80,485,000 (2021: HK\$266,620,000). All of the pledged securities are listed equity securities in Hong Kong.

Detail of impairment assessment are set out in note 34.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 23. FINANCE LEASE RECEIVABLES

|                           | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Finance lease receivables | 7,599            | 8,303            |
| Loss allowance for ECL    | (7,599)          | (8,303)          |
|                           | -                | -                |
| Analysed as:              |                  |                  |
| – Current                 | -                | -                |
| – Non-current             | -                | -                |
|                           | -                | -                |

#### Details of leasing arrangements

The Group has entered into finance lease arrangements to lease out certain of its production machinery and equipment with the remaining lease terms of 1 year. At the end of the lease term of these finance leases, the lessee has the option to buy the machinery and equipment at nominal consideration. None of the lease contains contingent rentals. The contractual interest rates in the lease arrangements are fixed rate 7% per annum.

#### Amount receivable under finance leases

|                                                        | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|--------------------------------------------------------|------------------------|------------------|-----------------------------------------|------------------|
|                                                        | 2022<br>HK\$'000       | 2021<br>HK\$'000 | 2022<br>HK\$'000                        | 2021<br>HK\$'000 |
| Not later than one year                                | 7,599                  | 8,303            | 7,599                                   | 8,303            |
| Later than one year and<br>no later than five years    | -                      | -                | -                                       | -                |
| Later than five years                                  | -                      | -                | -                                       | -                |
|                                                        | 7,599                  | 8,303            | 7,599                                   | 8,303            |
| Less: unearned finance income                          | -                      | -                | -                                       | -                |
| Present value of minimum lease<br>payments receivables | 7,599                  | 8,303            | 7,599                                   | 8,303            |

Details of impairment assessment are set out in note 34.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

|                                         | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Financial assets mandatorily at FVTPL:  |                  |                  |
| Listed securities held for trading:     |                  |                  |
| – Equity securities listed in Hong Kong | 71,372           | 122,955          |
| Unlisted equity fund                    | 13,626           | 4,015            |
| Unlisted debt securities                | 18,728           | 20,622           |
|                                         | 103,726          | 147,592          |
| Analysed for reporting purpose as:      |                  |                  |
| Current assets                          | 90,100           | 143,577          |
| Non-current assets                      | 13,626           | 4,015            |
|                                         | 103,726          | 147,592          |

The Group recorded a loss on fair value changes of financial assets at FVTPL for the year ended 31 December 2022 of approximately HK\$51.6 million (2021: a gain of approximately HK\$3.8 million).

## 25. BANK BALANCES AND CASH

### Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 26). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

### Bank balances (general accounts) and cash

The amount comprises balances and cash held by the Group and short term bank deposits with original maturity within 3 months. At 31 December 2022, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2021: 0.01% to 3%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 26. TRADE AND OTHER PAYABLES AND ACCRUALS

|                                                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------------------------------------------------------------------|------------------|------------------|
| Trade payables arising from:                                                 |                  |                  |
| Medical products and plastic toys business and garments trading and sourcing | 16,723           | 22,886           |
| Securities brokerage business                                                |                  |                  |
| – Cash clients                                                               | 4,284            | 4,370            |
| – Margin clients                                                             | 4,809            | 4,763            |
| – Clearing house                                                             | –                | –                |
| Total trade payables                                                         | 25,816           | 32,019           |
| Accrued expenses                                                             | 4,363            | 7,335            |
| Other payables                                                               | 148,526          | 113,473          |
|                                                                              | 178,705          | 152,827          |

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

|                | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 13,279           | 17,500           |
| 31 to 90 days  | 2,409            | 2,436            |
| Over 90 days   | 1,035            | 2,950            |
|                | 16,723           | 22,886           |

The average credit period on purchases of goods from medical products and plastic toys business and garments trading and sourcing is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The settlement terms of trade payable arising from the securities brokerage business are two days after trade date or at specific terms agreed with clearing house. Trade payables to cash and margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 December 2022, the trade payables amounting to HK\$9,093,000 (2021: HK\$9,139,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 27. BONDS

|                  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------|------------------|------------------|
| Bonds, unsecured | 789,739          | 786,889          |

The carrying amounts of bonds are repayable as follows:

|                                                                   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------------------------------------------------------------|------------------|------------------|
| Within one year                                                   | –                | –                |
| More than one year but not more than two years                    | 297,558          | –                |
| More than two years but not more than five years                  | 492,181          | 783,889          |
| More than five years                                              | –                | 3,000            |
|                                                                   | 789,739          | 786,889          |
| Less: Amounts due within one year shown under current liabilities | –                | –                |
| Amounts shown under non-current liabilities                       | 789,739          | 786,889          |

Movement of the bonds is as follows:

|                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------------------------------------|------------------|------------------|
| At 1 January                                 | 786,889          | 780,954          |
| Proceeds from the bond issue (cash flow)     | –                | –                |
| Accrued interests                            | 70,412           | 60,923           |
| Interest paid (cash flow)                    | (24,133)         | (33,815)         |
| Interest payable (included in other payable) | (13,229)         | (16,038)         |
| Early redemption of bond                     | –                | 365              |
| Repayments (cash flow)                       | (30,200)         | (5,500)          |
| At 31 December                               | 789,739          | 786,889          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 27. BONDS (continued)

The bonds are unsecured with maturity date falling on the eighth anniversary of the issue date. The interest rate of the bonds is fixed at 6% per annum (2021: 6% per annum), and the interest is paid annually.

## 28. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

|             | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------|------------------|------------------|
| Current     | 855              | 231              |
| Non-current | –                | 198              |
|             | 855              | 429              |

|                                                                              | Minimum lease payment |                  | Present value of lease payment |                  |
|------------------------------------------------------------------------------|-----------------------|------------------|--------------------------------|------------------|
|                                                                              | 2022<br>HK\$'000      | 2021<br>HK\$'000 | 2022<br>HK\$'000               | 2021<br>HK\$'000 |
| Minimum lease payment due:                                                   |                       |                  |                                |                  |
| – Within one year                                                            | 886                   | 242              | 855                            | 231              |
| – More than one year but not more than two years                             | –                     | 202              | –                              | 198              |
|                                                                              | 886                   | 444              | 855                            | 429              |
| Future finance charges                                                       | (31)                  | (15)             |                                |                  |
| Present value of lease liabilities                                           | 855                   | 429              |                                |                  |
| Present value of lease liabilities                                           |                       |                  |                                |                  |
| Amounts due for settlement within one year (shown under current liabilities) |                       |                  | (855)                          | (231)            |
| Amounts due for settlement after one year                                    |                       |                  | –                              | 198              |

The Group leases leasehold building for operation and these lease liabilities were measured at the present value of the lease payment that are not yet paid. All leases are entered at fixed prices.

The incremental borrowing rate applied to lease liabilities at 3.51% to 5.00% (2021: 3.51%).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 29. DEFERRED TAX (ASSETS)/LIABILITIES

The followings are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

|                                         | Difference<br>between<br>accounting<br>and tax<br>depreciation<br><i>HK\$'000</i> | Revaluation<br>of<br>properties<br><i>HK\$'000</i> | Loss<br>allowance<br>for ECL<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------|--------------------------|
| At at 1 January 2021                    | (917)                                                                             | 15,556                                             | (18,400)                                        | (3,761)                  |
| Credit to profit or loss                | –                                                                                 | –                                                  | (313)                                           | (313)                    |
| Charge to other comprehensive<br>income | –                                                                                 | 1,200                                              | –                                               | 1,200                    |
| Exchange realignment                    | –                                                                                 | 604                                                | –                                               | 604                      |
| At at 1 January 2022                    | (917)                                                                             | 17,360                                             | (18,713)                                        | (2,270)                  |
| Credit to profit or loss                | 917                                                                               | –                                                  | 18,713                                          | 19,630                   |
| Charge to other comprehensive<br>income | –                                                                                 | 112                                                | –                                               | 112                      |
| Exchange realignment                    | –                                                                                 | (3,629)                                            | –                                               | (3,629)                  |
| At 31 December 2022                     | –                                                                                 | 13,843                                             | –                                               | 13,843                   |

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements as there is no temporary differences attributable to accumulated profits of the PRC subsidiaries as well as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2022, the Group had unused tax losses of HK\$258,655,000 (2021: HK\$242,408,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. All losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 30. SHARE CAPITAL

|                                                        | Number of<br>shares | Amount<br>HK\$'000 |
|--------------------------------------------------------|---------------------|--------------------|
| Authorised:                                            |                     |                    |
| At 1 January 2021, 31 December 2021 and 1 January 2022 |                     |                    |
| – ordinary shares of HK\$0.5 each                      | 10,000,000,000      | 5,000,000          |
| Share Consolidation                                    | (9,000,000,000)     | –                  |
| Share Sub-division                                     | 499,000,000,000     | –                  |
| At 31 December 2022, ordinary shares of HK\$0.01       | 500,000,000,000     | 5,000,000          |
| Issued:                                                |                     |                    |
| At 1 January 2021, 31 December 2021 and 1 January 2022 |                     |                    |
| – ordinary shares of HK\$0.5 each                      | 2,303,224,137       | 690,968            |
| Share Consolidation                                    | (2,072,901,724)     | –                  |
| Capital Reduction                                      | –                   | (688,664)          |
| At 31 December 2022, ordinary shares of HK\$0.01       | 230,322,413         | 2,304              |

During the year ended 31 December 2022, the Company implemented the capital reorganisation (the “Capital Reorganisation”) involving the followings:

- (i) every ten issued and unissued ordinary shares of par value of HK\$0.50 each in the share capital of the Company were consolidated into 1 consolidated share of par value of HK\$5.0 each (the “Share Consolidation”)
- (ii) immediately following the Share Consolidation, the issued share capital of the Company will be reduced by (a) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (b) a reduction of the par value of each issued the Company’s ordinary shares from HK\$5.0 to HK\$0.01 per issued ordinary share (the “Capital Reduction”) which reduction will comprise of a cancellation of such amount of the paid-up capital on each issued ordinary share and an extinguishment and reduction of any part of the capital not paid up on any issued ordinary share so that each existing issued ordinary share will be treated as one fully paid up share of par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company with in the meaning of the Companies Act and be applied for such purposes as permitted by all applicable laws and the memorandum and bye-laws of the Company and as the Board considers appropriate; and
- (iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares shall be sub-divided into five hundred (500) New Shares of par value of HK\$0.01 each (the “Share Sub-division”).

# 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.

|                                                  | <b>Borrowings</b> | <b>Lease liabilities</b> | <b>Bonds</b>    |
|--------------------------------------------------|-------------------|--------------------------|-----------------|
|                                                  | <i>HK\$'000</i>   | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| A 1 January 2021                                 | 36,016            | 5,799                    | 780,954         |
| Changes from financing cash flows                | (1,713)           | (127)                    | (5,500)         |
| Disposal of subsidiaries                         | (34,295)          | (367)                    | –               |
| New lease entered                                | –                 | 466                      | –               |
| Early termination of lease                       | –                 | (5,342)                  | –               |
| Interest expenses                                | 889               | 13                       | 60,923          |
| Interest paid classified as operating cash flows | (889)             | (13)                     | (33,815)        |
| Interest payable (included in other payables)    | –                 | –                        | (16,038)        |
| Early redemption of bond                         | –                 | –                        | 365             |
| Changes in bank overdrafts                       | (8)               | –                        | –               |
| A 31 December 2021 and 1 January 2022            | –                 | 429                      | 786,889         |
| Changes from financing cash flows                | –                 | (742)                    | (30,200)        |
| New lease entered                                | –                 | 1,168                    | –               |
| Interest expenses                                | –                 | 35                       | 70,412          |
| Interest paid classified as operating cash flows | –                 | (35)                     | (24,133)        |
| Interest payable (included in other payables)    | –                 | –                        | (13,229)        |
| At 31 December 2022                              | –                 | 855                      | 789,739         |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 32. SHARE OPTIONS

### 2012 Scheme

The Company adopted a share option scheme (the “2012 Scheme”), which was approved in the Company’s annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company’s shares on the date of grant, (ii) the average of the official closing price of the Company’s shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

The 2012 Scheme expired on 27 May 2022.

No share option under 2012 Scheme was outstanding as at 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 32. SHARE OPTIONS *(continued)*

### 2022 Scheme

Following the 2012 Scheme expired on 27 May 2022, the Company adopted a new share option scheme (the “2022 Scheme”), which was approved in the Company’s annual general meeting on 29 June 2022 with the view to motivate the eligible participants.

According to the 2022 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries a. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2022 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2022 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2022 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2022 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2022 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2022 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company’s shares on the date of grant, (ii) the average of the official closing price of the Company’s shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

No share option was outstanding as at 31 December 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 33. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that its subsidiaries 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 remain unchanged from prior year.

The capital structure of the Group consists of net debt which includes bonds disclosed in note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues, as well as issue of new debts and repayment of existing debts.

A subsidiary of the Company is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

## 34. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

|                                           | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| <b>Financial assets</b>                   |                  |                  |
| Fair value through profit or loss (FVTPL) |                  |                  |
| – Held-for-trading                        | 71,372           | 122,955          |
| – Others                                  | 32,354           | 24,637           |
| Amortised cost                            | 1,489,747        | 1,755,887        |
| <b>Financial liabilities</b>              |                  |                  |
| Amortised cost                            | 968,444          | 939,716          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

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

#### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to financial assets at FVTPL, statutory deposit placed with clearing house, trade and other receivables, loan receivables and bank balances and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables and trade receivable arising from margin clients is mitigated because they are secured over properties or listed equity securities.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

#### *Trade receivables arising from contracts with customers*

The Group has concentration of credit risk as 13% (2021: 38%) and 46% (2021: 89%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the medical products and plastic toys business and securities brokerage business. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for trade receivables arising from cash and margin client, which are assessed for impairment individually, the remaining trade receivables is grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Provision of HK\$195,000 (2021: HK\$516,000) is recognised for medical products and plastic toy business during the year.

In respect of trade receivables arising from securities brokerage business, individual evaluations are performed on all clients (including cash and margin clients) based on underlying collateral. Cash clients are required to place deposits as prescribed in the Group's policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within two days after the trade date. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash and margin clients and has policy to manage these exposures on a fair value basis. Margin loans due from margin clients are repayable on demand.

The provision of HK\$29,726,000 (2021: reversal of HK\$4,565,000) is recognised for securities brokerage business during the year. Details of the quantitative disclosures are set out below in this note.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Bank balances

Credit risk on bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

##### Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and quantitative and qualitative information that is reasonable and supportive forward-looking information. For the year ended 31 December 2022 and 2021, The Group provided impairment on other receivables based on 12m ECL. Details of the quantitative disclosures are set out below in this note.

##### Loan receivables

The directors of the Company estimate the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the amount of impairment made.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description                                                                                                                                   | Trade receivables (excepts for receivables from margin clients) | Other financial assets             |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------|
| Low risk               | The counterparty has a low risk of default and does not have any past-due amounts                                                             | Lifetime ECL – not credit-impaired                              | 12m ECL                            |
| Doubtful               | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired                              | Lifetime ECL – not credit-impaired |
| Loss                   | There is evidence indicating the asset is credit-impaired                                                                                     | Lifetime ECL – credit-impaired                                  | Lifetime ECL – credit-impaired     |
| Write-off              | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery            | Amount is written off                                           | Amount is written off              |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and finance lease receivables, which are subject to ECL assessment:

|                                                                          | Note | External credit rating | Internal credit rating | 12m or lifetime ECL                | 2022                  |           | 2021                  |           |
|--------------------------------------------------------------------------|------|------------------------|------------------------|------------------------------------|-----------------------|-----------|-----------------------|-----------|
|                                                                          |      |                        |                        |                                    | Gross carrying amount |           | Gross carrying amount |           |
|                                                                          |      |                        |                        |                                    | HK\$'000              | HK\$'000  | HK\$'000              | HK\$'000  |
| <b>Financial assets at amortised cost</b>                                |      |                        |                        |                                    |                       |           |                       |           |
| Loan receivables                                                         | 22   | N/A                    | Low risk               | 12m ECL                            | 870,900               |           | 1,250,910             |           |
|                                                                          |      |                        | Doubtful               | Lifetime ECL (not credit-impaired) | 467,190               |           | 200,887               |           |
|                                                                          |      |                        | Loss                   | Credit-impaired                    | 225,425               | 1,563,518 | 92,384                | 1,544,181 |
| Bank balances                                                            | 25   | WR-Aal                 | N/A                    | 12m ECL                            | 184,118               | 184,118   | 158,923               | 158,923   |
| Trade receivable arising from medical products and plastic toys business | 21   | N/A                    | Note 1                 | Lifetime ECL (provision matrix)    | 16,539                | 16,539    | 17,639                | 17,639    |
| Trade receivable arising from margin clients                             | 21   | N/A                    | Low risk               | 12m ECL                            | 26,425                |           | 24,392                |           |
|                                                                          |      |                        | Doubtful               | Lifetime ECL (not credit-impaired) | -                     |           | 56,850                |           |
|                                                                          |      |                        | Loss                   | Credit-impaired                    | 159,933               | 186,358   | 103,082               | 184,324   |
| Finance lease receivable                                                 | 23   | N/A                    | Low risk               | 12m ECL                            | -                     |           | -                     |           |
|                                                                          |      |                        | Loss                   | Credit-impaired                    | 7,599                 | 7,599     | 8,303                 | 8,303     |
| Other receivables                                                        | 21   | N/A                    | Low risk               | 12m ECL                            | 11,162                |           | 21,194                |           |
|                                                                          |      |                        | Loss                   | Credit-impaired                    | 22,717                | 33,879    | 23,339                | 44,533    |

**Note 1:** For trade receivables arising from medical products and plastic toys business, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### *Credit risk and impairment assessment (continued)*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its medical products and plastic toys business because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

|                | 2022                 |                                  | 2021                 |                                  |
|----------------|----------------------|----------------------------------|----------------------|----------------------------------|
|                | Average<br>loss rate | Trade<br>receivables<br>HK\$'000 | Average<br>loss rate | Trade<br>receivables<br>HK\$'000 |
| Within 30 days | 1.88                 | 9,418                            | 1.25%                | 11,386                           |
| 31 to 90 days  | 1.73                 | 1,211                            | 1.15%                | 872                              |
| 91 to 365 days | 2.89                 | 1,417                            | 2.73%                | 1,391                            |
| Over 365 days  | 67.28                | 4,493                            | 72.43%               | 3,990                            |
|                |                      | 16,539                           |                      | 17,639                           |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2022, the Group provided HK\$195,000 (2021: HK\$516,000) of impairment allowance for trade receivables arising from medical products and plastic toys business based on the provision matrix.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables arising from medical products and plastic toys business under the simplified approach.

|                                                      | Lifetime ECL<br>(not credit-<br>impaired)<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------|-------------------------------------------------------|-------------------|
| <b>As at 1 January 2021</b>                          | <b>9,554</b>                                          | <b>9,554</b>      |
| Impairment losses recognised                         | 516                                                   | 516               |
| Disposal of subsidiary                               | (7,023)                                               | (7,023)           |
| Exchange adjustments                                 | 33                                                    | 33                |
| <b>As at 31 December 2021 and<br/>1 January 2022</b> | <b>3,080</b>                                          | <b>3,080</b>      |
| Impairment losses recognised                         | 195                                                   | 195               |
| Exchange adjustments                                 | (13)                                                  | (13)              |
| <b>As at 31 December 2022</b>                        | <b>3,262</b>                                          | <b>3,262</b>      |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### ***Credit risk and impairment assessment (continued)***

The following tables show reconciliation of loss allowances that has been recognised for finance lease receivables, loan receivables, trade receivables arising from margin clients and other receivables.

Movement in the allowances for impairment for finance lease receivables is as follows:

|                                                  | Lifetime ECL<br>(credit-impaired)<br>HK\$'000 |
|--------------------------------------------------|-----------------------------------------------|
| <b>As at 1 January 2021</b>                      | 8,066                                         |
| Impairment losses recognised                     | –                                             |
| Exchange adjustments                             | 237                                           |
| <b>As at 31 December 2021 and 1 January 2022</b> | 8,303                                         |
| Impairment losses recognised                     | –                                             |
| Exchange adjustments                             | (704)                                         |
| <b>As at 31 December 2022</b>                    | 7,599                                         |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

Movement in the allowances for impairment for loan receivables is as follows:

|                                                      | 12m ECL<br><i>HK\$'000</i> | Lifetime ECL<br>(not credit-<br>impaired)<br><i>HK\$'000</i> | Lifetime ECL<br>(credit-<br>impaired)<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|------------------------------------------------------|----------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------|
| <b>As at 1 January 2021</b>                          | 15,806                     | 54,931                                                       | 28,663                                                   | 99,400                   |
| Transfer to credit-impaired                          | (1,656)                    | (1,972)                                                      | 3,628                                                    | –                        |
| Transfer to lifetime ECL                             | (2,223)                    | 2,223                                                        | –                                                        | –                        |
| Transfer to 12m ECL                                  | 49,775                     | (49,775)                                                     | –                                                        | –                        |
| Impairment losses recognised                         | 4,738                      | 46,159                                                       | 62,179                                                   | 113,076                  |
| Impairment losses reversed                           | (45,659)                   | (3)                                                          | (620)                                                    | (46,282)                 |
| Write-off                                            | –                          | –                                                            | (74,721)                                                 | (74,721)                 |
| <b>As at 31 December 2021 and<br/>1 January 2022</b> | 20,781                     | 51,563                                                       | 19,129                                                   | 91,473                   |
| Transfer to credit-impaired                          | (412)                      | (33,921)                                                     | 34,333                                                   | –                        |
| Transfer to lifetime ECL                             | (7,807)                    | 7,807                                                        | –                                                        | –                        |
| Transfer to 12m ECL                                  | 14,280                     | (14,280)                                                     | –                                                        | –                        |
| Impairment losses recognised                         | 3,007                      | 172,322                                                      | 138,447                                                  | 313,776                  |
| Impairment losses reversed                           | (14,219)                   | (3,361)                                                      | (7,957)                                                  | (25,537)                 |
| Write-off                                            | –                          | –                                                            | (18,451)                                                 | (18,451)                 |
| Exchange adjustments                                 | 227                        | –                                                            | 1,320                                                    | 1,547                    |
| <b>As at 31 December 2022</b>                        | 15,857                     | 180,130                                                      | 166,821                                                  | 362,808                  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

Movement in the allowances for impairment for trade receivables arising from margin clients is as follows:

|                                                      | 12m ECL<br>HK\$'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>HK\$'000 | Lifetime ECL<br>(credit-<br>impaired)<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------|---------------------|-------------------------------------------------------|---------------------------------------------------|-------------------|
| <b>As at 1 January 2021</b>                          | –                   | (90)                                                  | 86,624                                            | 86,534            |
| Transfer to credit-impaired                          | –                   | (183)                                                 | 183                                               | –                 |
| Transfer to lifetime ECL                             | –                   | 13,386                                                | (13,386)                                          | –                 |
| Transfer to 12m ECL                                  | 9,832               | (2,371)                                               | (7,461)                                           | –                 |
| Impairment losses recognised                         | –                   | 4,279                                                 | 6,137                                             | 10,416            |
| Impairment losses reversed                           | (9,832)             | –                                                     | (5,149)                                           | (14,981)          |
| <b>As at 31 December 2021 and<br/>1 January 2022</b> | –                   | 15,021                                                | 66,948                                            | 81,969            |
| Transfer to credit-impaired                          | –                   | (15,021)                                              | 15,021                                            | –                 |
| Impairment losses recognised                         | 172                 | –                                                     | 29,558                                            | 29,730            |
| Impairment losses reversed                           | –                   | –                                                     | (4)                                               | (4)               |
| <b>As at 31 December 2022</b>                        | 172                 | –                                                     | 111,523                                           | 111,695           |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

Movement in the allowances for impairment for other receivables is as follows:

|                                                      | Lifetime ECL<br>(not credit-<br>impaired)<br>HK\$'000 | Lifetime ECL<br>(credit-<br>impaired)<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|-------------------|
| <b>As at 1 January 2021</b>                          | –                                                     | 30,709                                            | 30,709            |
| Impairment losses recognised                         | 560                                                   | 33,493                                            | 34,053            |
| Write-offs                                           | –                                                     | (47,625)                                          | (47,625)          |
| Exchange adjustments                                 | 9                                                     | 250                                               | 259               |
| <b>As at 31 December 2021 and<br/>1 January 2022</b> | 569                                                   | 16,827                                            | 17,396            |
| Exchange adjustments                                 | (48)                                                  | (448)                                             | (496)             |
| <b>As at 31 December 2022</b>                        | 521                                                   | 16,379                                            | 16,900            |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Market risk

##### (i) Currency risk

##### Foreign currency risk management

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of relevant group entities, including Renminbi (RMB), US dollar (US\$) and Hong Kong dollar (HK\$).

The functional currencies of the Group's principal subsidiaries are HK\$, US\$ and RMB. While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US\$ and HK\$. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manage its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

|                             | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| <b>Monetary Assets</b>      |                  |                  |
| RMB                         | 127              | 144              |
| US\$                        | 22,828           | 17,883           |
| HK\$                        | 18,204           | 14,602           |
| <b>Monetary Liabilities</b> |                  |                  |
| HK\$                        | -                | 9                |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### **Market risk (continued)**

##### (i) *Currency risk (continued)*

#### Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB, US\$ and HK\$.

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A negative/(positive) number below indicates an increase/(a decrease) in loss before tax for the year where the functional currency of the relevant group entity strengthen 5% (2021: 5%) against the relevant foreign currency. For a 5% (2021: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on loss before tax for the year.

|             | Monetary assets and liabilities |                  |
|-------------|---------------------------------|------------------|
|             | 2022<br>HK\$'000                | 2021<br>HK\$'000 |
| RMB impact  | 6                               | 7                |
| US\$ impact | 1,141                           | 894              |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### **Market risk** (continued)

##### (ii) Interest rate risk

##### Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 21) and bank balances (general accounts) (see note 25).

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and margin clients receivables and bank balances (general accounts) at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2022, if the interest rate had been 10 basis points (2021: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK\$370,000 (2021: HK\$252,000).

##### Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bonds (see note 27 for details of these bonds).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### **Market risk** *(continued)*

##### *(iii) Equity price risk*

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. The Group's equity price risk is concentrated on equity instrument quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2021: 20%) lower, the Group's loss for the year would increase by HK\$14,274,000 (2021: HK\$24,591,000).

In management's opinion the sensitivity analysis was unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

#### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and bonds and ensures compliance with loan covenants.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed settlement dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

|                                       | Weighted<br>average<br>interest rate | On<br>demand or<br>less than<br>1 year<br>HK\$'000 | 1-5 years<br>HK\$'000 | Over<br>5 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amounts<br>HK\$'000 |
|---------------------------------------|--------------------------------------|----------------------------------------------------|-----------------------|-----------------------------|-------------------------------------------------|---------------------------------|
| 2022                                  |                                      |                                                    |                       |                             |                                                 |                                 |
| Non-derivative financial liabilities  |                                      |                                                    |                       |                             |                                                 |                                 |
| Trade and other payables and accruals | –                                    | 178,705                                            | –                     | –                           | 178,705                                         | 178,705                         |
| Lease liabilities                     | 4.41%                                | 886                                                | –                     | –                           | 886                                             | 855                             |
| Bonds                                 | 6.00%                                | 48,450                                             | 863,060               | –                           | 911,510                                         | 789,739                         |
|                                       |                                      | 228,041                                            | 863,060               | –                           | 1,091,101                                       | 969,298                         |

|                                       | Weighted<br>average<br>interest rate | On<br>demand or<br>less than<br>1 year<br>HK\$'000 | 1-5 years<br>HK\$'000 | Over<br>5 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amounts<br>HK\$'000 |
|---------------------------------------|--------------------------------------|----------------------------------------------------|-----------------------|-----------------------------|-------------------------------------------------|---------------------------------|
| 2021                                  |                                      |                                                    |                       |                             |                                                 |                                 |
| Non-derivative financial liabilities  |                                      |                                                    |                       |                             |                                                 |                                 |
| Trade and other payables and accruals | –                                    | 152,827                                            | –                     | –                           | 152,827                                         | 152,827                         |
| Lease liabilities                     | 3.51%                                | 242                                                | 202                   | –                           | 444                                             | 429                             |
| Bonds                                 | 6.00%                                | 50,412                                             | 945,580               | 3,324                       | 999,316                                         | 786,889                         |
|                                       |                                      | 203,481                                            | 945,782               | 3,324                       | 1,152,587                                       | 940,145                         |

### (c) Fair value

The fair values of financial assets and financial liabilities measured other than fair value are determined in accordance with discounted cash flow analysis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

#### **Fair value measurement of financial assets and financial liabilities**

Some of the Group's financial assets and financial 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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management report the findings to the directors of the Company to explain the cause of fluctuations in the fair value.

| Financial assets/<br>financial liabilities   | Fair value as at |                  | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)      | Significant<br>unobservable<br>inputs                      |
|----------------------------------------------|------------------|------------------|-------------------------|-------------------------------------------------|------------------------------------------------------------|
|                                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |                         |                                                 |                                                            |
| Listed equity investment<br>held for trading | 71,372           | 122,955          | Level 1                 | Quoted bid prices in an<br>active market        | N/A                                                        |
| Unlisted fund                                | 13,626           | 4,015            | Level 3                 | Adjusted net asset value                        | N/A                                                        |
| Unlisted debt securities                     | 18,728           | 20,622           | Level 3                 | Discounted cash flows<br>with yield to maturity | Yield to maturity<br>ranged from 7.4% to<br>15.1% (Note 1) |
|                                              | 32,354           | 24,637           |                         |                                                 |                                                            |

*Note 1:* An increase in the yield to maturity used in isolation would result in a decrease in the fair value measurement of the unlisted debt securities, and vice versa.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

#### *Fair value measurement of financial assets and financial liabilities (continued)*

There were no transfers between fair value hierarchy in the current year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

| Reconciliation of Level 3 fair value | Unlisted securities at FVTPL<br>HK\$'000 |
|--------------------------------------|------------------------------------------|
| At 1 January 2021                    | 42,387                                   |
| Changes in fair value                | (10,773)                                 |
| Additions                            | 16,000                                   |
| Disposals                            | (22,977)                                 |
| At 31 December 2021                  | 24,637                                   |
| Changes in fair value                | (7,372)                                  |
| Additions                            | 15,089                                   |
| At 31 December 2022                  | 32,354                                   |

Of the total losses for the period included in profit or loss, HK\$7,372,000 (2021: HK\$10,773,000) relates to the unlisted securities at FVTPL held at the end of the current reporting period. Fair value changes of the unlisted securities at FVTPL are included in 'other gains and losses, net'.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (d) Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and the clearing house, the Group has a legal enforceable right to set off the money obligations receivable and payable with clearing house on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to securities brokerage business that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to the clearing house and trade receivables from and payables to securities brokerage business that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with clearing house do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

|                                                                                                | Gross<br>amounts of<br>recognised<br>financial<br>liabilities<br>set off in the<br>consolidated<br>statement<br>of financial<br>position<br>HK\$'000 | Gross<br>amounts of<br>recognised<br>financial<br>assets<br>presented<br>in the<br>consolidated<br>statement<br>of financial<br>position<br>HK\$'000 | Net<br>amounts of<br>financial<br>assets<br>presented<br>in the<br>consolidated<br>statement<br>of financial<br>position<br>HK\$'000 | Related amounts not offset in<br>consolidated statement<br>of financial position |                                    | Net<br>amounts<br>HK\$'000 |
|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------|----------------------------|
|                                                                                                |                                                                                                                                                      |                                                                                                                                                      |                                                                                                                                      | Financial<br>instruments<br>HK\$'000                                             | Collateral<br>received<br>HK\$'000 |                            |
| <b>2022</b>                                                                                    |                                                                                                                                                      |                                                                                                                                                      |                                                                                                                                      |                                                                                  |                                    |                            |
| <b>Financial assets</b>                                                                        |                                                                                                                                                      |                                                                                                                                                      |                                                                                                                                      |                                                                                  |                                    |                            |
| Amounts due from clearing house and<br>trade receivables from securities<br>brokerage business | 74,663                                                                                                                                               | -                                                                                                                                                    | 74,663                                                                                                                               | -                                                                                | (53,286)                           | 21,377                     |
| Statutory deposits placed with<br>clearing house                                               | 255                                                                                                                                                  | -                                                                                                                                                    | 255                                                                                                                                  | (205)                                                                            | -                                  | -                          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (continued)

### (d) Financial asset and financial liabilities offsetting (continued)

|                                                                                          | Gross amount of recognised as financial liabilities<br>HK\$'000              | Gross amounts of recognised financial assets set off in the consolidated statement of financial position<br>HK\$'000      | Net amounts of financial liabilities presented in the consolidated statement of financial position<br>HK\$'000 | Related amounts not offset in consolidated statement of financial position |                                 | Net amounts<br>HK\$'000 |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------|-------------------------|
|                                                                                          |                                                                              |                                                                                                                           |                                                                                                                | Financial instruments<br>HK\$'000                                          | Collateral received<br>HK\$'000 |                         |
| <b>2022</b>                                                                              |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
| <b>Financial liabilities</b>                                                             |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
| Amounts due to clearing house and trade payables from securities brokerage business      | 9,093                                                                        | -                                                                                                                         | 9,093                                                                                                          | -                                                                          | -                               | 9,093                   |
|                                                                                          |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
|                                                                                          | Gross amounts of recognised as financial assets after impairment<br>HK\$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position<br>HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position<br>HK\$'000      | Related amounts not offset in consolidated statement of financial position |                                 | Net amounts<br>HK\$'000 |
|                                                                                          |                                                                              |                                                                                                                           |                                                                                                                | Financial instruments<br>HK\$'000                                          | Collateral received<br>HK\$'000 |                         |
| <b>2021</b>                                                                              |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
| <b>Financial assets</b>                                                                  |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
| Amounts due from clearing house and trade receivables from securities brokerage business | 102,355                                                                      | -                                                                                                                         | 102,355                                                                                                        | -                                                                          | (70,093)                        | 32,262                  |
| Statutory deposits placed with clearing house                                            | 205                                                                          | -                                                                                                                         | 205                                                                                                            | (205)                                                                      | -                               | -                       |
|                                                                                          |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
|                                                                                          | Gross amount of recognised as financial liabilities<br>HK\$'000              | Gross amounts of recognised financial assets set off in the consolidated statement of financial position<br>HK\$'000      | Net amounts of financial liabilities presented in the consolidated statement of financial position<br>HK\$'000 | Related amounts not offset in consolidated statement of financial position |                                 | Net amounts<br>HK\$'000 |
|                                                                                          |                                                                              |                                                                                                                           |                                                                                                                | Financial instruments<br>HK\$'000                                          | Collateral received<br>HK\$'000 |                         |
| <b>2021</b>                                                                              |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
| <b>Financial liabilities</b>                                                             |                                                                              |                                                                                                                           |                                                                                                                |                                                                            |                                 |                         |
| Amounts due to clearing house and trade payables from securities brokerage business      | 9,133                                                                        | -                                                                                                                         | 9,133                                                                                                          | -                                                                          | -                               | 9,133                   |

**Note:** The cash and financial collateral received/pledged as at 31 December 2022 and 2021 represent their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 35. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors of the Company or its related parties. The transactions during the year, are as follows:

### Compensation of key management personnel

The remuneration of key management during the year are as follows:

|                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 2,998            | 3,028            |

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

## 36. DISPOSAL OF SUBSIDIARIES

### (a) Treasure Boom Holdings Limited and its subsidiary

On 14 April 2021, the Company entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Treasure Boom Holdings Limited ("Treasure Boom"), a wholly-owned subsidiary of the Company at a consideration of HK\$8,100,000. The net assets of the Treasure Boom and its subsidiary (collectively, the "Treasure Boom Group") at the date of disposal were as follows:

|                                                                 |          |
|-----------------------------------------------------------------|----------|
| Analysis of assets and liabilities over which control was lost: | HK\$'000 |
| Investment properties                                           | 38,600   |
| Cash and cash equivalents                                       | 3        |
| Prepayment deposits and other receivables                       | 211      |
| Other payables and accruals                                     | (2,791)  |
| Borrowings                                                      | (28,000) |
| Net assets disposed of                                          | 8,023    |
| Gain on disposal of Treasure Boom Group:                        |          |
| Consideration                                                   | 8,100    |
| Net assets disposed of                                          | (8,023)  |
| Gain on disposal of subsidiaries                                | 77       |
| Net cash inflow arising on disposal:                            |          |
| Cash consideration received                                     | 8,100    |
| Less: cash and cash equivalents disposed of                     | (3)      |
|                                                                 | 8,097    |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 36. DISPOSAL OF SUBSIDIARIES (continued)

### (b) Smart Success International Enterprises Limited

On 4 September 2021, the Company entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Smart Success International Enterprises Limited ("Smart Success"), a wholly-owned subsidiary of the Company at a consideration of HK\$1. The net assets of the Smart Success at the date of disposal were as follows:

|                                                                 |          |
|-----------------------------------------------------------------|----------|
| Analysis of assets and liabilities over which control was lost: | HK\$'000 |
| Property, plant and equipment                                   | 69       |
| Trade and other receivables and prepayments                     | 308      |
| Cash and cash equivalents                                       | 1,907    |
| Net assets disposed of                                          | 2,284    |
| Loss on disposal of Smart Success                               |          |
| Consideration                                                   | —*       |
| Net assets disposed of                                          | (2,284)  |
|                                                                 | (2,284)  |
| Net cash outflow arising on disposal:                           |          |
| Cash consideration received                                     | —*       |
| Less: cash and cash equivalents disposed of                     | (1,907)  |
|                                                                 | (1,907)  |

\* Less than HK\$1,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 37. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

### The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next year.

Undiscounted lease payments receivable on leases are as follows:

|                    | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--------------------|------------------|------------------|
| Within one year    | 963              | 448              |
| One to fifth years | 4,814            | –                |
|                    | 5,777            | 448              |

## 38. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

During the year ended 31 December 2022, the Group's contributions under the above-mentioned defined contribution retirement plan had no forfeited contributions may be used to reduce the existing level of contributions.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

The total cost of HK\$780,000 (2021: HK\$984,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2022 and 2021 are as follows:

|                                       | Notes | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------------------|-------|------------------|------------------|
| Non-current asset                     |       |                  |                  |
| Investments in subsidiaries           |       | 267,594          | 267,594          |
| Right-of-use asset                    |       | 190              | 419              |
|                                       |       | <b>267,784</b>   | 268,013          |
| Current assets                        |       |                  |                  |
| Other receivables & prepayments       |       | 709              | 698              |
| Amounts due from subsidiaries         | (a)   | 1,372,913        | 1,598,714        |
| Bank balances                         |       | 547              | 3,669            |
|                                       |       | <b>1,374,169</b> | 1,603,081        |
| Current liabilities                   |       |                  |                  |
| Other payables                        |       | 86,663           | 73,649           |
| Lease liability                       |       | 199              | 231              |
| Amounts due to subsidiaries           | (a)   | 507,664          | 507,649          |
|                                       |       | <b>594,526</b>   | 581,529          |
| Net current assets                    |       | <b>779,643</b>   | 1,021,552        |
| Total assets less current liabilities |       | <b>1,047,427</b> | 1,289,565        |
| Capital and reserves                  |       |                  |                  |
| Share capital                         |       | 2,304            | 690,968          |
| Reserves                              | (b)   | 255,384          | (188,490)        |
| Total equity                          |       | <b>257,688</b>   | 502,478          |
| Non-current liability                 |       |                  |                  |
| Bonds                                 |       | 789,739          | 786,889          |
| Lease liability                       |       | –                | 198              |
|                                       |       | <b>789,739</b>   | 787,087          |
|                                       |       | <b>1,047,427</b> | 1,289,565        |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) **Amount(s) due from (to) subsidiaries**

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

(b) **Reserves**

|                             | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|---------------------------|---------------------------------|----------------------------------------|--------------------------------|-------------------|
| At 1 January 2021           | 352,753                   | 244,461                         | 1,270                                  | (768,071)                      | (169,587)         |
| Loss for the year           | –                         | –                               | –                                      | (18,903)                       | (18,903)          |
| At 31 December 2021         | 352,753                   | 244,461                         | 1,270                                  | (786,974)                      | (188,490)         |
| Loss for the year           | –                         | –                               | –                                      | (244,790)                      | (244,790)         |
| Capital reduction (note 30) | –                         | 688,664                         | –                                      | –                              | 688,664           |
| At 31 December 2022         | 352,753                   | 933,125                         | 1,270                                  | (1,031,764)                    | 255,384           |

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2022 and 2021 are as follows:

| Name of subsidiary              | Place of incorporation/<br>establishment | Issued and<br>fully paid<br>share capital/<br>registered<br>capital | Proportion of nominal value of<br>issued share capital/registered<br>capital held by the Company |           |            |           | Principal activities <i>(note i)</i>             |
|---------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------|------------|-----------|--------------------------------------------------|
|                                 |                                          |                                                                     | Directly                                                                                         |           | Indirectly |           |                                                  |
|                                 |                                          |                                                                     | 2022<br>%                                                                                        | 2021<br>% | 2022<br>%  | 2021<br>% |                                                  |
| 中山隆成啟航商貿有限公司                    | PRC                                      | US\$6,240,000<br>Registered Capital                                 | –                                                                                                | –         | 100        | 100       | Manufacturing and trading of<br>medical products |
| Lerado H.K. Limited             | HK                                       | HK\$5,000<br>Ordinary Share                                         | –                                                                                                | –         | 100        | 100       | Trading of medical products                      |
| BlackMarble Capital Limited     | HK                                       | HK\$1<br>Ordinary Share                                             | –                                                                                                | –         | 100        | 100       | Money lending                                    |
| Oriental Strategic Limited      | BVI                                      | US\$50,000<br>Ordinary Share                                        | 100                                                                                              | 100       | –          | –         | Investment holding                               |
| Lerado Group Limited            | BVI                                      | HK\$10,702<br>Ordinary Share                                        | 100                                                                                              | 100       | –          | –         | Investment holding                               |
| Wonder Time Holdings<br>Limited | BVI                                      | HK\$1<br>Ordinary Share                                             | –                                                                                                | –         | 100        | 100       | Trading of held-for-trading<br>investments       |
| Shanghai Lerado Co. Ltd.        | PRC                                      | US\$6,260,000<br>Registered Capital                                 | –                                                                                                | –         | 100        | 100       | Manufacturing and trading of<br>nursery products |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                                             | Place of incorporation/<br>establishment | Issued and<br>fully paid<br>share capital/<br>registered<br>capital | Proportion of nominal value of<br>issued share capital/registered<br>capital held by the Company |           |            |           | Principal activities <i>(note i)</i>                                         |
|----------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------|------------|-----------|------------------------------------------------------------------------------|
|                                                                |                                          |                                                                     | Directly                                                                                         |           | Indirectly |           |                                                                              |
|                                                                |                                          |                                                                     | 2022<br>%                                                                                        | 2021<br>% | 2022<br>%  | 2021<br>% |                                                                              |
| 廣州凱潤企業管理服務<br>有限公司                                             | PRC                                      | US\$5,000,000<br>Registered Capital                                 | –                                                                                                | –         | 100        | 100       | Property holding                                                             |
| 駿勝世紀科技（深圳）<br>有限公司                                             | PRC                                      | RMB1,000,000<br>Registered Capital                                  | –                                                                                                | –         | 100        | 100       | Research and development for<br>electric scooters, wheels                    |
| Black Marble Securities<br>Limited                             | HK                                       | HK\$330,000,000<br>Ordinary Share                                   | –                                                                                                | –         | 100        | 100       | Securities brokerage, margin<br>financing and underwriting<br>and placements |
| Black Marble Global<br>Investment Fund SPC<br><i>(note ii)</i> | Cayman Islands                           | N/A                                                                 | –                                                                                                | –         | 100        | 100       | Investment fund                                                              |
| Lerado Finance Limited                                         | HK                                       | HK\$1<br>Ordinary Share                                             | –                                                                                                | –         | 100        | 100       | Money lending                                                                |
| First Platform International<br>Limited                        | BVI                                      | US\$1<br>Ordinary Share                                             | 100                                                                                              | 100       | –          | –         | Investment holding                                                           |
| Genuine Oriental Wealth<br>Management Limited                  | HK                                       | HK\$1,850,000<br>Ordinary Share                                     | –                                                                                                | –         | 80         | 80        | Insurance brokerage                                                          |

Note:

- (i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment.
- (ii) The Group had consolidated a structured entity which includes asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders. There is no third-party interests in the consolidated structured entities as at 31 December 2022.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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

## Financial Summary

### RESULTS

|                                                           | Year ended 31 December |                  |                  |                  |                  |
|-----------------------------------------------------------|------------------------|------------------|------------------|------------------|------------------|
|                                                           | 2018<br>HK\$'000       | 2019<br>HK\$'000 | 2020<br>HK\$'000 | 2021<br>HK\$'000 | 2022<br>HK\$'000 |
| REVENUE                                                   | 246,313                | 247,592          | 207,831          | 215,287          | 218,238          |
| LOSS BEFORE TAXATION                                      | (64,151)               | (95,371)         | (21,026)         | (62,894)         | (345,563)        |
| INCOME TAX (EXPENSE)/CREDIT                               | (3,509)                | 9,153            | 8,756            | (44)             | (22,074)         |
| Profit (loss) for the year<br>from continuing operation   | –                      | –                | (12,270)         | (62,938)         | (367,637)        |
| Profit (loss) for the year<br>from discontinued operation | –                      | –                | (1,713)          | (2,994)          | –                |
| LOSS FOR THE YEAR                                         | (67,660)               | (86,218)         | (13,983)         | (65,932)         | (367,637)        |
| ATTRIBUTABLE TO:                                          |                        |                  |                  |                  |                  |
| OWNERS OF THE COMPANY                                     | (68,090)               | (86,170)         | (13,785)         | (65,709)         | (367,073)        |
| NON-CONTROLLING INTERESTS                                 | 430                    | (48)             | (198)            | (223)            | (564)            |
|                                                           | (67,660)               | (86,218)         | (13,983)         | (65,932)         | (367,637)        |

### ASSETS AND LIABILITIES

|                           | At 31 December   |                  |                  |                  |                  |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
|                           | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2020<br>HK\$'000 | 2021<br>HK\$'000 | 2022<br>HK\$'000 |
| TOTAL ASSETS              | 2,196,739        | 2,070,372        | 2,113,199        | 2,031,070        | 1,682,653        |
| TOTAL LIABILITIES         | (1,002,212)      | (962,189)        | (998,702)        | (975,393)        | (1,001,894)      |
|                           | 1,194,527        | 1,108,183        | 1,114,497        | 1,055,677        | 680,759          |
| EQUITY ATTRIBUTABLE TO:   |                  |                  |                  |                  |                  |
| OWNERS OF THE COMPANY     | 1,193,897        | 1,107,601        | 1,114,113        | 1,055,516        | 681,162          |
| NON-CONTROLLING INTERESTS | 630              | 582              | 384              | 161              | (403)            |
|                           | 1,194,527        | 1,108,183        | 1,114,497        | 1,055,677        | 680,759          |