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GLOBAL MASTERMIND
環 球 大 通

Global Mastermind Holdings Limited
環球大通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8063)

ANNUAL RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, for which the directors (the "**Directors**") of Global Mastermind Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

* *For identification purposes only*

The board of Directors (the "**Board**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022. This announcement, containing the full text of the 2022 Annual Report of the Company, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcement of annual results. Printed version of the Company's 2022 Annual Report will be delivered to the shareholders of the Company and available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.globalmholdings.com on or before 31 March 2023.

GLOBAL MASTERMIND
環 球 大 通

GLOBAL MASTERMIND HOLDINGS LIMITED
環球大通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8063

ANNUAL REPORT 2022

*For identification purposes only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Kwok Wai, Elton *(Chairman)*
Mr. Mung Kin Keung
Mr. Mung Bun Man, Alan *(Managing Director)*

Independent Non-Executive Directors

Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching
Mr. Lai Hok Lim

COMPLIANCE OFFICER

Mr. Cheung Kwok Wai, Elton

COMPANY SECRETARY

Ms. Chu Man Ting

AUDIT COMMITTEE

Mr. Law Kwok Ho, Kenward *(Committee Chairman)*
Mr. Fung Wai Ching
Mr. Lai Hok Lim

REMUNERATION COMMITTEE

Mr. Lai Hok Lim *(Committee Chairman)*
Mr. Mung Bun Man, Alan
Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching

NOMINATION COMMITTEE

Mr. Fung Wai Ching *(Committee Chairman)*
Mr. Mung Bun Man, Alan
Mr. Lai Hok Lim

CORPORATE GOVERNANCE COMMITTEE

Mr. Mung Bun Man, Alan *(Committee Chairman)*
Mr. Fung Wai Ching
Ms. Chu Man Ting

AUTHORISED REPRESENTATIVES

Mr. Cheung Kwok Wai, Elton *(appointed on 17 May 2022)*
Mr. Mung Bun Man, Alan *(resigned on 17 May 2022)*
Ms. Chu Man Ting

AUDITOR

HLB Hodgson Impey Cheng Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1201, 12/F.
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.globalmholdings.com

E-MAIL ADDRESS

enquiry@globalmastermind.co

STOCK CODE

8063

Five-Year Financial Summary

RESULTS

For the year ended 31 December

	2022 HK$'000	(Note) 2021 HK$'000	(Note) 2020 HK$'000	(Note) 2019 HK$'000	(Note) 2018 HK$'000
Revenue	**26,262**	53,676	33,629	49,621	33,583
Loss from operations	**(142,418)**	(164,238)	(154,561)	(30,204)	(33,797)
Finance costs	**(8,000)**	(9,677)	(16,450)	(14,038)	(1,130)
Loss before tax	**(150,418)**	(173,915)	(171,011)	(44,242)	(34,927)
Income tax (expense) credit	**(12,398)**	(1,721)	9,769	1,080	844
Loss for the year from continuing operations	**(162,816)**	(175,636)	(161,242)	(43,162)	(34,083)
Loss for the year from discontinued operation	**–**	(7,462)	(105,842)	(11,431)	(30,573)
Loss for the year	**(162,816)**	(183,098)	(267,084)	(54,593)	(64,656)
Attributable to:					
Owners of the Company	**(162,815)**	(183,091)	(267,084)	(54,593)	(64,656)
Non-controlling interests	**(1)**	(7)	–	–	–
Loss for the year	**(162,816)**	(183,098)	(267,084)	(54,593)	(64,656)
Dividends	**–**	–	–	–	–

Note: As a result of changes in presentation format of the consolidated statement of profit or loss and other comprehensive income, the figures in 2018, 2019 and 2020 have been reclassified to conform to the presentation of figures in 2021 and onward.

ASSETS AND LIABILITIES

As at 31 December

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Assets and liabilities					
Total assets	**310,795**	478,459	600,973	918,540	831,759
Total liabilities	**(131,640)**	(136,488)	(251,353)	(301,646)	(161,454)
Net assets	**179,155**	341,971	349,620	616,894	670,305
Capital and reserves					
Equity attributable to owners of the Company	**179,163**	341,978	349,620	616,894	670,305
Non-controlling interests	**(8)**	(7)	–	–	–
	179,155	341,971	349,620	616,894	670,305

Chairman's Statement

Dear shareholders

During the year ended 31 December 2022, we reported a loss attributable to owners of the Company of HK$162.82 million, representing a 11% improvement as compared to last year. This improvement was mainly attributable to the absence of the previous year's one-off loss on fair value changes of convertible bonds of HK$96.34 million, but which was partially offset by (i) a HK$36.66 million increase in allowance of expected credit loss ("**ECL**") on loan receivables, (ii) the recognition of a HK$6.83 million net realised and unrealised losses on securities investment in 2022, in contrast to a HK$14.39 million net realised and unrealised gains on securities investment last year, and (iii) a HK$14.48 million decrease in interest income from money lending business.

The segment loss of our money lending business increased from HK$60.08 million in 2021 to HK$119.80 million in 2022. The increase was mainly due to the HK$36.66 million increase in allowance of ECL on loan receivables and the HK$14.48 million decrease in interest income. As strict COVID restrictions and weakening global demand suppressed spending and exports, the global economy suffered a contraction last year. Barely out of the pandemic, we will slow down our pace in business expansion and closely monitor our loan portfolio's performance.

We recorded a segment loss of HK$6.84 million for our treasury management business in 2022, in contrast to a segment profit of HK$14.38 million last year. The deterioration was due to the net unrealised loss of HK$6.84 million arising on changes in fair values of securities investments. We will closely monitor and adjust our listed securities portfolio from time to time.

The segment loss of our financial services business increased from HK$2.58 million in 2021 to HK$11.92 million in 2022. The increase was due to a HK$6.08 million increase in allowance of ECL on account receivables from securities margin clients and a decrease of HK$2.58 million in commission income from securities brokerage.

In this year, we have been monitoring the environment of travel business in Hong Kong. Nowadays, most people prefer to book their flights, hotels or cars hire online. The travel agency market has been dominated by the large global online agents which have well-developed booking systems or mobile applications. There are many challenges that we would have to face, such as the increased competition from large conglomerates and the rise in online booking channels. Hence, we have to examine thoroughly the profitability, capital requirements and risks before moving forward in this industry.

Chairman's Statement

Although the border between Hong Kong and mainland China opens up, the global economy is still facing a lot of challenges including the ongoing Russia-Ukraine war, possible global recession and further geopolitical fragmentation. We will continue to monitor the business environment with caution and strengthen our business foundation by focusing on our existing business. Meanwhile, we will continue to maintain a proactive and prudent approach in our cost control and financial strategy to strengthen our financial position.

On behalf of the Board, I would like to close by thanking our shareholders and customers for their continued confidence and support, our board of directors, the management team, and every dedicated staff member for their hard work and significant contribution to us in the past years.

Cheung Kwok Wai Elton
Chairman

Hong Kong, 29 March 2023

Management Discussion and Analysis

FINANCIAL REVIEW

Given that the travel business in Singapore suffered sustained losses in recent years due to severe market competition and the outbreak of the COVID-19 pandemic, Global Mastermind Holdings Limited (the "**Company**", together with its subsidiaries as the "**Group**") ceased its travel business in Singapore by disposing of its entire issued share capital of Harvest Well International Limited ("**Harvest Well**") on 30 August 2021. The principal subsidiary of Harvest Well was Safe2Travel Pte Ltd ("**Safe2Travel**"), which was engaged in the travel business in Singapore. Accordingly, the results of Safe2Travel for the period from 1 January 2021 to the date of disposal of Harvest Well had been restated to re-present as a discontinued operation for financial reporting purposes.

RESULTS OF CONTINUING OPERATIONS

The Group recorded a loss attributable to owners of the Company of HK$162,815,000 for the year ended 31 December 2022 (2021: HK$175,629,000). The decrease in the loss for the year from continuing operations was mainly due to the absence of the previous year's one-off loss on fair value changes of convertible bonds of HK$96,338,000, but which was partially offset by (i) a HK$36,661,000 increase in allowance of expected credit loss ("**ECL**") on loan receivables, (ii) the recognition of a HK$6,832,000 net realised and unrealised losses on securities investment in 2022, in contrast to a HK$14,388,000 net realised and unrealised gains on securities investment in 2021, and (iii) a HK$14,483,000 decrease in interest income from money lending business.

Revenue and profitability

An analysis of the Group's revenue for the years ended 31 December 2022 and 2021 was as follows:

	2022 **HK$'000**	2021 HK$'000
Interest income from money lending business	**13,402**	27,885
Net realised gain on securities investment	**10**	5,389
Revenue derived from financial services business	**12,850**	20,402
	26,262	53,676

For the year ended 31 December 2022, the revenue of the Group amounted to HK$26,262,000, which was comprised of interest income from money lending business of HK$13,402,000 (2021: HK$27,885,000), net realised gain on securities investment of HK$10,000 (2021: HK$5,389,000), and revenue derived from financial services business of HK$12,850,000 (2021: HK$20,402,000). Revenue derived from financial services business includes commission income from securities brokerage, interest income from margin financing and initial public offering ("**IPO**") financing, handling and settlement income arising from securities brokerage, asset management fee income, and advisory fee income from corporate finance.

The Group reported a decrease of 51% in its revenue for the year ended 31 December 2022 compared to HK$53,676,000 for the year ended 31 December 2021. This decrease was mainly attributable to (i) a HK$14,483,000 decrease in interest income from the money lending business, (ii) a HK$5,379,000 decrease in net realised gain on securities investment, and (iii) a HK$7,552,000 decrease in revenue derived from financial services business.

Management Discussion and Analysis

Other income, other gains and losses

Other income, other gains and losses for the year ended 31 December 2022 amounted to a net income of HK$3,672,000, whereas a net loss of HK$3,763,000 for the year ended 31 December 2021. The change from loss to gain was mainly attributable to the HK$5,878,000 decrease in loss on financial guarantee contract relating to the payments made by the Company to a bank in Singapore in fulfilling its obligation as a financial guarantor in respect of the banking facilities granted to Safe2Travel.

Staff costs, depreciation and amortisation expenses, and other expenses

For the year ended 31 December 2022, staff costs amounted to HK$15,303,000 (2021: HK$17,311,000). Depreciation and amortisation expenses amounted to HK$340,000 (2021: HK$2,031,000). Other expenses amounted to HK$18,554,000 (2021: HK$20,698,000).

The decrease in staff costs was mainly due to two executive directors of the Company not taking any directors' emoluments since 1 June 2021.

The decrease in depreciation and amortisation expenses was mainly attributable to the Group's right-of-use assets being fully depreciated upon the expiry of the lease contracts.

The decrease in other expenses was mainly due to a HK$3,063,000 decrease in handling fee and commission arising from the Group's securities brokerage business, which was partially offset by a HK$1,049,000 increase in expense relating to short-term leases.

Loss on fair value changes of investment properties

At the end of the reporting period, the Group remeasured its investment properties in Hong Kong at fair value based on a valuation prepared by an independent qualified valuer, and recognised a loss of HK$5,000,000 (2021: a gain of HK$3,900,000) on the fair value changes of investment properties. The recognition of the loss on fair value changes of investment properties was due to the worse performance of Hong Kong's Grade A office market in the last quarter of 2022 as compared with last year.

Allowance for ECL on financial guarantee contract

On the disposal of Harvest Well, the Group de-recognised the bank borrowings of Safe2Travel but recognised a financial guarantee contract of SG$2,313,000 (equivalent to HK$13,394,000) as a liability. The financial guarantee contract was pre-existing commitment arising from the parent company guarantee given by the Company in favour of the bank in Singapore for securing the bank facilities granted to Safe2Travel when it used to be a wholly-owned subsidiary of the Group. During the year ended 31 December 2022, the Company extended the repayment date of the outstanding amount due to the bank and recognised the additional interests of SG$18,000 (equivalent to HK$106,000) as liabilities under the financial guarantee contract. Since the directors are of the view that the financial guarantee contract remained as credit-impaired, an allowance of ECL of HK$106,000 in respect of the liabilities under the financial guarantee contract was recognised during the year ended 31 December 2022.

Management Discussion and Analysis

Allowance for ECL on loan receivables

At the end of the reporting period, the directors performed an ECL assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. Having performed the ECL assessment, the directors concluded that an allowance for ECL on loan receivables of HK$112,975,000 (2021: HK$76,314,000) was required for the year ended 31 December 2022. The significant increase in the allowance for ECL on loan receivables was mainly due to (i) a full impairment of HK$45,063,000 on a loan receivable reclassified from stage 1 (initial recognition) to stage 3 (credit-impaired), and (ii) a full impairment of HK$47,875,000 in aggregate on three existing loan receivables classified under stage 3 (credit-impaired).

Allowance for ECL on account receivables from securities margin clients

At the end of the reporting period, the directors performed an ECL assessment on the account receivables from the securities margin clients with reference to a valuation prepared by the independent professional valuer. Having performed the ECL assessment, the directors concluded that an allowance for ECL on the account receivables from the securities margin clients of HK$13,232,000 (2021: HK$7,149,000) was required for the year ended 31 December 2022. Of the total allowance for ECL on account receivables from securities margin clients, (i) HK$6,246,000 was recognised for two margin loans reclassified from stage 1 (initial recognition) to stage 3 (credit-impaired), and (ii) HK$6,986,000 was recognised to impair an existing margin loan classified under stage 3 (credit-impaired), as these clients failed to repay or provide additional collateral when the eligible margin values of the securities fell below the outstanding amounts of their respective margin loans.

Loss on fair value changes of convertible bonds

On 7 May 2021, the Company received the conversion notices from the holder of the convertible bonds for the exercise of its conversion rights to convert the entire outstanding principal amount of HK$60,000,000 into 84,507,042 ordinary shares of HK$0.10 each of the Company at the adjusted conversion price of HK$0.71 per share.

The Group remeasured the convertible bonds at fair value based on a valuation prepared by an independent qualified valuer, and recognised a loss of HK$96,338,000 on the fair value changes of convertible bonds at the date of conversion. This fair value loss was non-cash in nature and did not have any impact on the Group's cash flows. In addition, it had no net impact on the net asset value of the Company as a corresponding amount equivalent to the loss was credited to the share premium account of the Company at the time when the convertible bonds were fully converted into the Company's shares during the year ended 31 December 2021.

There was no gain or loss on fair value changes of convertible bonds during the year ended 31 December 2022.

Management Discussion and Analysis

Finance costs

For the year ended 31 December 2022, the finance costs amounted to HK$8,000,000 (2021: HK$9,677,000), representing the interest expense on other borrowing (2021: HK$8,000,000). There were no interest expenses related to convertible bonds (2021: HK$1,657,000) and lease liabilities (2021: HK$20,000). The decrease in finance costs in 2022 was mainly due to the full conversion of the entire convertible bonds with the principal amount of HK$60,000,000 issued in 2020 into ordinary shares of the Company on 12 May 2021.

Income tax expense

The Group recorded a income tax expense of HK$12,398,000 (2021: HK$1,721,000) for the year ended 31 December 2022. The increase in income tax expense was due to the derecognition of deferred tax assets in respect of the allowance for ECL on loan receivables previously recognised.

RESULTS OF DISCONTINUED OPERATION

Loss from discontinued operation for the year ended 31 December 2021 amounted to HK$7,462,000, which mainly represented the results of Safe2Travel for the period from 1 January 2021 to the date of disposal of Harvest Well.

BUSINESS REVIEW

Money lending business

During the year ended 31 December 2022, the Group's money lending business generated interest income on loans of HK$13,402,000, representing a 52% decrease from HK$27,885,000 for the previous year, and reported a segment loss of HK$119,797,000, a 99% increase from HK$60,075,000 for the previous year.

The decrease in interest income was mainly contributed by no further interest income recognised from five loans classified under stage 3 credit-impaired as the Group cast doubt on their ability to repay. Other than the decrease in interest income, the deterioration in segment results was attributable to a HK$36,661,000 increase in allowance for ECL as discussed below.

During the year ended 31 December 2022, the Group granted a new loan in the principal amount of HK$17,000,000 and extended the final repayment date of an existing loan in the principal amount of HK$26,650,000. In addition, a customer made a drawing of HK$15,792,000 from the new loan and three customers repaid HK$28,174,000 to the Group.

Management Discussion and Analysis

As at 31 December 2022, nine loans remained outstanding of which a loan receivable with a gross outstanding balance of HK$16,619,000 was classified under stage 1 (initial recognition), a loan receivable with a gross outstanding balance of HK$28,602,000 was classified under stage 2 (significant increase in credit risk), and seven loan receivables with the aggregate gross outstanding balance of HK$265,603,000 were classified under stage 3 (credit-impaired). During the year ended 31 December 2022, a loan receivable with a gross outstanding balance of HK$45,239,000 was transferred from stage 1 (initial recognition) to stage 3 (credit-impaired) as the customers failed to settle the outstanding principal and interest for more than 90 days, a loan receivable with a gross outstanding balance of HK$28,602,000 was transferred from stage 1 (initial recognition) to stage 2 (significant increase in credit risk) as his interest payment pattern was considered unsatisfactory, and a loan receivable with a gross outstanding balance of HK$23,240,000 was transferred from stage 2 (significant increase in credit risk) to stage 3 (credit-impaired) as the customer failed to settle the outstanding principal and interest on the due date and entered into a deed of settlement with the Group in May 2022.

At the end of the reporting period, the directors performed an ECL assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured ECL on loan receivables using the general approach, which is often referred to "three-stage model" under Hong Kong Financial Reporting Standard 9 *Financial Instruments.* Based on the valuation, an allowance for ECL on loan receivables of HK$112,975,000 was made. Of the total allowance for ECL, (i) HK$163,000 was recognised for loan receivable classified under stage 1 (initial recognition), (ii) HK$7,824,000 was recognised for loan receivable classified under stage 2 (significant increase in credit risk), and (iii) HK$104,988,000 was recognised for loan receivables classified under stage 3 (credit-impaired).

The allowance for ECL of HK$104,988,000 for loan receivables classified under stage 3 (credit-impaired) was made mainly due to the full impairment of HK$45,063,000 on the loan receivable reclassified from stage 1 (initial recognition) to stage 3 (credit-impaired), and the full impairment of HK$47,875,000 in aggregate on three existing loan receivables classified under stage 3 (credit-impaired).

At 31 December 2022, the Group's loan receivables and accrued interest receivables (before accumulated loss allowance for ECL) amounted to HK$310,824,000 (31 December 2021: HK$322,021,000). Return on loan receivables for the year ended 31 December 2022 is 5% (2021: 9%) which is measured as a percentage against average loan receivables before accumulated allowance for ECL and accrued interest receivables. The decrease in return on loan receivables was due to the decrease in interest income recognised for the loans classified under stage 3 (credit-impaired) in the year ended 31 December 2022.

Information on the Group's money lending business, including (i) business model, (ii) internal control system, (iii) basis of determining the allowance for ECL on loan receivables, (iv) major terms of each outstanding loan receivables, and (v) actions taken for recovering the loan receivables classified under stage 3 (credit-impaired) are disclosed in note 38(b) to the consolidated financial statements.

Management Discussion and Analysis

Treasury management business

During the year ended 31 December 2022, the Group acquired Hong Kong equities with market value of HK$1,202,000 and did not dispose of any securities investment. Taking into account of the dividend income from its securities investment, the Group recorded a net realised gain on securities investment of HK$10,000 (2021: HK$5,389,000) in the year ended 31 December 2022. As at 31 December 2022, the Group remeasured its securities investment at fair value and recorded a net unrealised loss of HK$6,842,000 arising on changes in fair values of securities investment (2021: a net unrealised gain of HK$8,999,000).

The return on financial assets at FVTPL, measured as a percentage of gains and losses arising on change in fair value, trading gains and losses and dividend income against the opening fair value of financial assets at FVTPL and the total investments made at cost during the year, recorded a negative return of 37% for the year ended 31 December 2022 (2021: positive return of 66%).

Financial services business

During the year ended 31 December 2022, the revenue of the Group's financial services business decreased by 37% to HK$12,850,000 (2021: HK$20,402,000).

Commission income from securities brokerage for the year ended 31 December 2022 decreased by 56% to HK$2,057,000 (2021: HK$4,636,000). This decrease was due to a decrease in customers' transaction volumes resulting from poor market sentiment.

Interest income from margin financing and IPO financing for the year ended 31 December 2022 increased by 11% to HK$6,883,000 (2021: HK$6,197,000) as there was an increase in the Group's securities margin financing business. The average monthly outstanding balance of loans to securities margin clients (before accumulated allowance for ECL) increased from HK$64,540,000 in the year ended 31 December 2021 to HK$70,973,000 in the year ended 31 December 2022.

The handling and settlement income arising from securities brokerage for the year ended 31 December 2022 decreased by 46% to HK$3,787,000 (2021: HK$6,991,000) due to the decrease in customers' transaction volumes resulting from poor market sentiment.

The asset management fee income for the year ended 31 December 2022 decreased by 96% to HK$3,000 (2021: HK$74,000). The decrease was due to a decline in the assets under management by the Group.

The advisory fee income from corporate finance for the year ended 31 December 2022 decreased by 95% to HK$120,000 (2021: HK$2,504,000).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, and borrowings. Equity attributable to owners of the Company decreased from HK$341,978,000 at 31 December 2021 to HK$179,163,000 at 31 December 2022. This decrease was due to the loss incurred by the Group for the year ended 31 December 2022.

As at 31 December 2022, the bank balances and cash of the Group amounted to HK$31,193,000 (2021: HK$33,657,000).

As at 31 December 2022, the Group had an outstanding borrowing of HK$100,000,000 (2021: HK$100,000,000) granted by a finance company, which is interest-bearing at 8% per annum, secured by (i) the post-dated cheques drawn in favour of the finance company for payment of the principal and the interests stipulated under the loan agreement, and (ii) a personal guarantee given by Mr. Cheung Kwok Wai, Elton, the Chairman of the Board and an executive director, and maturing on 10 November 2023.

Gearing ratio

At 31 December 2022, the Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 56% (2021: 29%).

Net current assets and current ratio

As at 31 December 2022, the Group's net current assets and current ratio were HK$16,493,000 (2021: HK$161,563,000) and 1.1 times (2021: 2.2 times) respectively. The decrease in net current assets and current ratio was mainly attributable to decrease in loan receivables after the recognition of the HK$112,975,000 allowance for ECL on loan receivables.

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the year ended 31 December 2022.

EXCHANGE RATE RISK

The Group's principal place of business is in Hong Kong, hence transactions arising from its operations were generally settled in Hong Kong Dollars, which is the functional currency of the Group. Apart from the financial guarantee contract of the Group is denominated in Singapore Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

PLEDGE OF ASSETS

On 1 March 2021, the Company entered into a settlement agreement with a bank in Singapore pursuant to which the Company agreed to repay the outstanding bank borrowings and the accrued interest payable of Safe2Travel, a then wholly-owned subsidiary of the Company, in discharge of the Company's pre-existing obligations under a parent company guarantee given to the bank to fortify the borrowings of Safe2Travel. The repayment is secured by a first legal mortgage over the Group's investment properties in Hong Kong with a carrying amount as at 31 December 2022 of HK$162,200,000 and the assignment of rental proceeds from the Group's investment properties to the bank.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

MATERIAL COMMITMENTS

As at 31 December 2022, the Group had no material commitments.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2022, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint venture.

ENVIRONMENTAL POLICIES

The Group is committed to acting in an environmentally responsible manner in our business operations and promoting green measures towards environmental protection to our employees. Our Group adheres to the principle of Recycling, Reducing and Reusing. Doubled-sided printing and copying, use of recycled paper and the reduction of energy consumption by switching off idle lightings and electrical appliance are encouraged for implementation by the Group. In order to enhance environmental sustainability, our Group will review its environmental practices from time to time and will consider implementing other eco-friendly measures and practices in the Group's business operation if and when appropriate.

COMPLIANCE WITH REGULATIONS

The Group recognises the importance of compliance with regulatory requirements. Risks of non-compliance with the relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company.

During the year ended 31 December 2022, the Group complied with applicable laws and regulations such as the Money Lenders Ordinance and the Money Lenders Regulations for its money lending business in Hong Kong, the Securities and Futures Ordinance for its financial services business in Hong Kong, the GEM Listing Rules, the Hong Kong Companies Ordinance (Cap. 622), and other applicable laws and regulations in which the Group operates.

During the year ended 31 December 2022, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

EMPLOYEES INFORMATION

As at 31 December 2022, the total number of employees of the Group was 27 (2021: 25). Staff costs (including directors' emoluments) for the year ended 31 December 2022 amounted to HK$15,303,000 (2021: HK$17,311,000). The decrease in staff costs was due to two executive directors of the Company not taking any directors' emoluments since 1 June 2021.

OUTLOOK

As the border between Hong Kong and mainland China opens up and the overall economic sentiment improves, Hong Kong economy is expected to stage a rebound in 2023. However, the rising interest rates and the Russia-Ukraine war continue to weigh on the global economy. The directors will continue closely monitoring the repayment and financial condition of the Group's money lending customers to ensure speedy actions on any early signs of loan recovery issues and take various measures to recover the overdue loan receivables and the unpaid interest on loans.

Various downside risks still cloud the outlook of the Hong Kong equity market, such as the Russia-Ukraine war, possible global recession caused by the rising interest rates and further geopolitical fragmentation. The directors will closely monitor and adjust the Group's securities investment from time to time and realise the securities investment into cash as and when appropriate.

The directors are hopeful for an improvement in the performance of the Group's financial services business. The directors believe that the border reopening with mainland China and a raft of the government's stimulus measures to boost economy, the market sentiment will be aroused in 2023.

Based on the results of research and feasibility studies on travel business in Hong Kong conducted by the Company in this year, the directors consider that developing travel business in Hong Kong would be challenging and costly. Nowadays, most people prefer to book their flights, hotels or cars hire etc. through online travel agents. The travel agency market has been dominated by the large global online agents which have well-developed booking systems or mobile applications. There are many challenges that the Company would have to face, such as the increased competition from large conglomerates and the rise in online booking channels. Hence, the Company has to examine thoroughly the profitability, capital requirements and risks before moving forward in this industry.

For the coming years, the directors will continue to lead the Group to weather the challenges and continue to monitor the business environment and strengthen the Group's business foundation by focusing on its existing businesses. In addition to focusing on the Group's existing businesses, the directors will continue to identify suitable investment opportunities for the Group to diversify its businesses and broaden its revenue.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 December 2022 and up to the date of this report.

Management Discussion and Analysis

OPENING BALANCES AND CORRESPONDING FIGURES

As disclosed in the paragraph headed "Basis for Qualified Opinion" in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Independent Auditor's Report**"), the opinion of the Company's auditor, HLB Hodgson Impey Cheng Limited (the "**HLB Hodgson**"), on the consolidated financial statements of the Group for the year ended 31 December 2021 was modified. The basis of modification is more particularly set out in the Independent Auditor's Report and essentially relate to the unavailability of accounting books and records of a former subsidiary of the Group, Safe2Travel, subsequent to the disposal of Harvest Well (the "**HW Disposal**"). HLB Hodgson's opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

There was no different view between HLB Hodgson and the management (the "**Management**") of the Company. The audit committee has reviewed and agreed with the view of the Management.

Since the Company has already disposed of Harvest Well in August 2021, all losses after the HW Disposal shall have no negative impact on the Group any further. Therefore, the Board is of the view that the unavailability of accounting books and records of Safe2Travel subsequent to the HW Disposal should not have any impact on the Group's consolidated financial position as at 31 December 2022 and should not have any carried forward effect on the Group's consolidated financial statements for the year ending 31 December 2023. The qualified opinion in current year only relates to the comparability of 2021 figures in the consolidated financial statements for the year ended 31 December 2022. The audit qualification will be removed in the financial statements for the year ending 31 December 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces the following key risks and uncertainties. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the shares.

Principal risks	Description	Mitigating actions
Business risk	Business risk is the risk of rapid changes in customers' preference and price driven competition faced by the travel business and brokerage business which could impact the Group's performance.	• Continuous review of market trends and maintaining a competitive position by recruiting and retaining experienced staff to provide flexible and comprehensive support services to the customers.
Economic risk	Economic risk is the risk that any downturn in economic conditions, including those arisen from COVID-19, which could impact the Group's performance.	• Regularly tracking and closely monitoring the trends of macro economy and investment and equities markets. • Periodical review of investment portfolio on a timely basis, including the review of trading positions and activities, unrealised gain or loss, risk exposure, etc. • Limiting the investment loss by setting up the investment cap for each individual investment. • Establishing and implementing business contingency plans if business is disrupted by non-controllable events.
Credit risk	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	• Full understanding of customers and the carrying out of credit quality assessment on customers before granting new loans. • Regularly monitoring loan receivables and assessing the recoverability of loan receivables on an ongoing basis.

Management Discussion and Analysis

Principal risks	Description	Mitigating actions
		• Making of margin calls when the outstanding balances due from margin customers exceed their respective limits with consideration of the credibility of the customers and quality and liquidity of the stocks held by the customers. • Failure or delay to meet margin calls may result in prohibition of further purchases of securities or liquidation of the customer's position.
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or failure to satisfy the capital requirements to carry out the Group's financial services business in the ordinary course.	• Regular monitoring of liquidity and financial position of the Group. • Maintenance of appropriate liquidity to cover its commitments. • Maintenance of adequate liquid capital to comply with the Securities and Futures (Financial Resources) Rules. • Limiting liquidity risk exposure on treasury management business by investing in securities listed on stock markets. • Ensuring acceptable and appropriate finance in place before committing to investment projects. • Maintenance of revolving loan facilities and bank overdraft facilities etc. to meet any contingency in operations.

Management Discussion and Analysis

Principal risks	Description	Mitigating actions
Price risk	Price risk is the risk of fluctuations of fair value on financial assets and investment properties which will affect the Group's income and the value of its holdings of equities.	• Frequent review and monitoring of investment portfolio to ensure prompt actions being taken and the loss arising from the changes in the fair values being capped within an acceptable range. • Spread price risk exposure by investing in different equities.
Exchange risk	Exchange risk is the risk that changes in foreign exchange rates which will affect the Group's income and the value of its holdings of assets.	• Continuous monitoring of the exchange rate trend, the Group's statement of financial position and cash flow and the adoption of financial instruments when appropriate, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge exchange risk.
People risk	People risk is the risk that loss of the services of any directors, senior management and other key personnel, and the deviating from their expected behaviour in a way which could have a material adverse effect on the Group's business operations and financial performance.	• Providing attractive and competitive reward and benefit packages to retain experienced, qualified and competent employees. • Providing the right working environment to its staff to optimise their work standard and maximise their work satisfaction. • Ensuring all transactions of the Group involving cash withdrawals/investment for the amount of over HK$5,000,000 can only be conducted with the written approval by at least two executive directors.

Management Discussion and Analysis

Principal risks	Description	Mitigating actions
		• Ensuring that at least one executive director is appointed to every active and/or asset-holding subsidiaries of the Company, or alternative measures are adopted in special circumstances. • Ensuring that at least one executive director is added as bank signatory of every bank accounts of the Company and its subsidiaries in Hong Kong. For bank accounts in countries outside Hong Kong without any residing executive director, a regional head of management is designated by the Board to be responsible for payment approvals and local bank signatories, who shall regularly report to at least one executive director.
Legal and regulatory risk	Legal and regulatory risk is the risk that a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	• Close monitoring of changes and developments in the regulatory environment and ensuring that sufficient resources being made available to implement any required changes timely. • Seeking legal or other specialist advice as appropriate.

Management Discussion and Analysis

Principal risks	Description	Mitigating actions
Information technology risk	Information technology risk is the risk on failure of the information technology ("**IT**") system, operation errors of the IT system, virus and hacker attack and customer data loss and exposure, resulting in business disruption, legal proceedings from customers and/or credit card companies, loss of clients, reputation damage and regulatory issues.	• Continuous strengthening of the security of the Group's IT system by upgrade of firewall and anti-virus software to prevent potential cyber-attacks. • Regular backup of the Group's data to reduce the impact of data loss. • Maintenance of awareness and caution of possible cyber-attacks and identification and implementation of measures to mitigate the occurrence of possible attacks. • Establishing business contingency plan to ensure business continuity in the event of disruption caused by IT hazards.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a good corporate governance standard in management, internal control and risk management procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the value of the shareholders of the Company.

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") published its consultation conclusions on the consultation paper on Review of Corporate Governance Code and Related Listing Rules in December 2021. The Company has adopted the new code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange as its own code of corporate governance. Continuous efforts are made to review and enhance the risk management and internal control systems in light of changes in regulations and developments in best practices.

During the year ended 31 December 2022, the Company was in compliance with the code provisions set out in the new Code except for the deviations as explained below:

- Code provision C.2.1 of the Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed a Chief Executive Officer, and the roles of the Chief Executive Officer are performed by the executive directors collectively.

- Code provision C.3.3 of the Code provides that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for directors (except Mr. Mung Kin Keung). However, the directors shall be subject to retirement by rotation in accordance with the memorandum and articles of association of the Company (the "**Articles**"). In any event, all directors, including those without a letter of appointment, must retire by rotation in the manner prescribed under the Articles, and on re-election of the retiring directors, Shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors. In addition, the directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (where applicable) published by The Hong Kong Institute of Directors in performing their duties and responsibilities as directors. The directors are also required to comply with the requirements under statue and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above, in the opinion of the directors, the Company has met the code provisions set out in the Code during the year ended 31 December 2022.

CORPORATE PURPOSE, VALUES AND STRATEGY

The Company acts as an investment holding company and the principal activities of its subsidiaries (together with the Company, "**Group**") are the provision and operation of travel business, treasury management business, money lending business, provision of securities, asset management business and financial advisory business.

The Group's vision is to provide high quality services, and to help the people and businesses thrive over the long term. The vision guides the Group to pursue its mission to provide exceptional services to the customers across money lending, securities brokerage, asset management and financial advisory, and aiming to drive sustainable value for its stakeholders and the communities.

A healthy corporate culture across the Group is vital for the Group to achieve its vision. It is the Board's role to foster the corporate culture with a combination of accountability of the management, excellent teamwork, integrity and prudence, which underpin the approach to help its customers thrive over the long term.

In pursuing the Company's purposes, the Company adopts two principal strategies, namely: (i) to grow recurring earnings, cash flow and capital return and to strengthen its financial position; and (ii) to attract, retain, and develop talented employees.

The Board believes that the culture of a business, in conjunction with its values, is vitally important to the Company's successful long-term performance. How the Board members conduct themselves sets the culture within the Group – the good standard of behaviour has to be set from the top.

The Board constantly monitors the Company's culture to ensure that policy, practices, and behaviour throughout are aligned with the Company's purpose and strategy.

BOARD OF DIRECTORS

Composition of the Board

The directors during the year and up to the date of this report were:

Executive directors

Mr. Cheung Kwok Wai, Elton *(Chairman)*
Mr. Mung Kin Keung
Mr. Mung Bun Man, Alan *(Managing Director)*

Independent non-executive directors

Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching
Mr. Lai Hok Lim

A balanced board composition is formed to ensure the existence of strong independence across the Board. The composition of the Board reflects the necessity of balanced skills and experience for effective leadership. The biographical information of the directors is set out on pages 48 to 49 of this annual report.

Corporate Governance Report

Attendance Records at Meeting

The attendance records of each director at the various meetings of the Company during the year ended 31 December 2022 are set out below:

	Meetings attended/held					
	Annual general meeting	Board	Remuneration Committee	Nomination Committee	Audit Committee	Corporate Governance Committee
Number of meetings	1	16	1	1	5	1
Executive directors:						
Mr. Cheung Kwok Wai, Elton	1/1	16/16	N/A	N/A	N/A	N/A
Mr. Mung Kin Keung	1/1	13/16	N/A	N/A	N/A	N/A
Mr. Mung Bun Man, Alan	1/1	13/16	1/1	1/1	N/A	1/1
Independent non-executive directors:						
Mr. Law Kwok Ho, Kenward	1/1	16/16	1/1	N/A	5/5	N/A
Mr. Fung Wai Ching	1/1	16/16	1/1	1/1	5/5	1/1
Mr. Lai Hok Lim	1/1	16/16	1/1	1/1	5/5	N/A

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering the Group's strategies, major acquisitions and disposals, annual budgets, quarterly, interim and annual results, recommendations on directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The Executive Board (as defined below) and senior management were delegated with the authorities and responsibilities by the Board for the day-to-day operations of the Group while reserving certain key matters for the approval of the Board. In addition, the Board has also delegated various responsibilities to the board committees. Further details of these committees are set out in this report.

Compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules

During the year ended 31 December 2022, the Board at all times met the requirements set out in Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors (representing not less than one-third of the Board) with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

Corporate Governance Report

Independence of Independent Non-executive Directors

In determining the independence of directors, the Board follows the independence guidelines set out in the GEM Listing Rules. The Company has received from each independent non-executive director an annual written confirmation of his independent pursuant to Rule 5.09 of the GEM Listing Rules in respect of the year ended 31 December 2022, and considers all of the independent non-executive directors are independent.

Relationship between Board Members

Save and except for the family relationship between Mr. Mung Kin Keung and his son, Mr. Mung Bun Man, Alan, there is no other relationship (including financial, business, family or other material/relevant relationships) between the other members of the Board.

Directors' Continuous Professional Development

According to the code provision C.1.4 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All directors have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2022 to the Company. The Company has also continuously updated the directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each director received for the year ended 31 December 2022 is set out below:

Name of director	Reading and/or watching television programmes or webcasts and/or attending seminars and/or listening audio recordings relating to the legal and regulatory compliance, corporate governance, and risk management and internal control, anti-money laundering and financial reporting
Mr. Cheung Kwok Wai, Elton	✓
Mr. Mung Kin Keung	✓
Mr. Mung Bun Man, Alan	✓
Mr. Law Kwok Ho, Kenward	✓
Mr. Fung Wai Ching	✓
Mr. Lai Hok Lim	✓

Corporate Governance Report

Independent Views and Input to the Board

To ensure that independent views and input are available to the Board, the Company has established the following mechanism, and the implementation and effectiveness of such mechanism are reviewed annually.

(a) The Board must ensure the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors (or such higher threshold as may be required by the GEM Listing Rules) from time to time.

(b) Each Board committee must comprise a majority of independent non-executive directors.

(c) The independence of independent non-executive directors is assessed upon appointment, annually, re-appointment, and at any other time where the circumstances warrant reconsideration.

(d) The independent non-executive directors are required to inform the Company as soon as practicable if there is any change in their personal particulars that may materially affect their independence.

(e) Independent non-executive directors receive fixed fees for their role as members of the Board and Board committees and are not entitled to equity-based remuneration (e.g. share options or grants) with performance-related elements.

(f) Further re-appointment of an independent non-executive director (including the long-serving independent non-executive director) is subject to a separate resolution to be approved by the shareholders.

(g) Independent non-executive directors should not be involved in the daily management of the Company nor in any relationship or circumstance which would affect the exercise of their independent judgement.

(h) All directors are entitled to seek independent professional advice on issues relevant to their function and duties at the Company's expense.

(i) Directors are required to declare their and their connected entities' direct or indirect interests, if any, in proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate.

(j) The Chairman of the Board meets with the independent non-executive directors at least annually without the presence of the executive Directors.

Financial Reporting

The Board is responsible for presenting a balanced, clear, and understandable assessment of the Company's annual, interim and quarterly reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The directors acknowledge that it is their responsibility to the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable financial reporting standards. The directors also ensure the timely publication of the consolidated financial statements of the Group.

The directors confirm that, to the best of their knowledge, information, and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company engaged HLB Hodgson Impey Cheng Limited (the "**HLB Hodgson**") as its auditors for the year ended 31 December 2022. The statement by HLB Hodgson regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 50 to 54 of the annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has appointed Mr. Cheung Kwok Wai, Elton as the Chairman of the Board and an executive director on 16 December 2016. The Company has not appointed a Chief Executive Officer, and the roles and functions of the Chief Executive Officer are performed by the executive directors collectively.

The Board believes that the balance of power and authority for the present arrangement is not impaired by the lack of Chief Executive Officer and should be adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number of independent non-executive directors.

NON-EXECUTIVE DIRECTORS

The independent non-executive directors are persons of high calibre, with academic and professional qualifications in the fields of law, accounting and appropriate expertise. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

The independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation at least once every three years at the annual general meeting in accordance with the Articles.

Corporate Governance Report

EXECUTIVE BOARD

The Company established an Executive Board on 20 January 2006 which consists of the executive directors. As at the date of this report, the members of Executive Board are Mr. Cheung Kwok Wai, Elton, Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan. The Executive Board is delegated with authority to handle and/or monitor the management functions and operation of the day-to-day business of the Group.

DIVERSITY

The Board believes that a diversified Board brings constructive challenge and fresh perspectives to discussions. The Board considers diversity, in its broadest sense (and not limited to gender), during Board composition reviews and the development of selection criteria for appointing a new director.

The Company's Board diversity policy, which is available on the Company's website, provides that selection of candidates during the nomination process will be based on a range of diverse perspectives. These perspectives include but not be limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service. The ultimate decision will be based on the merit and contribution the selected candidates will bring to the Board. The policy does not contain any measurable objectives or targets for implementation. The policy is reviewed annually by the Board to ensure its effectiveness.

The Company currently has no female director on the Board and intends to achieve at least one member of the Board who will be female by the end of the financial year ending on 31 December 2024. To achieve and improve gender diversity, each time a new director is appointed to the Board, where possible, at least one of the shortlisted candidates is female.

As at 31 December 2022, the gender ratio of the Group's workforce was 59% male to 41% female (2021: 54% male to 46% female).

DIRECTORS' REMUNERATION POLICY

The Company has adopted a directors' remuneration policy aiming to set out the overall guiding principles and structure for remuneration packages of directors to attract, motivate, reward, and retain the right talent in pursuing and driving the Company's long-term goals and ensuring business sustainability and growth. The directors' remuneration policy comprises remuneration guiding principles and remuneration structure. The remuneration of executive directors is determined based on, among others, their scope of duties, responsibilities, skills, and experience required, corporate and individual performances, prevailing market practice, and general economic situation. The remuneration of non-executive directors and independent non-executive directors is determined based on, among others, the number of board committees served, experience and level of responsibilities undertaken, and prevailing market practice. In the remuneration structure for, independent non-executive directors are not entitled to reward with equity-based remuneration. A copy of the directors' remuneration policy is available on the Company's website.

BOARD COMMITTEES

The Board has established four committees. The independent views and recommendations of the four committees ensure proper control of the Group and the continual achievement of the high corporate governance standards expected of a listed company. The chairman of each committee reports the outcome of the committee's meeting to the Board for further discussions and approvals.

Save and except for the Corporate Governance Committee, the majority of the members of each board committee are independent non-executive directors. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established the Audit Committee on 19 October 2000 which currently consists of three independent non-executive directors, namely Mr. Law Kwok Ho, Kenward (as chairman), Mr. Fung Wai Ching and Mr. Lai Hok Lim, with written terms of reference in compliance with the GEM Listing Rules.

The terms of reference of the Audit Committee is currently made available on the GEM website and the Company's website.

The Audit Committee shall meet not less than four times a year. The Audit Committee is mainly responsible for making recommendations 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 such auditor; reviewing the quarterly, interim and annual reports and financial statements of the Group; and overseeing the Group's financial reporting system, risk management and internal control systems.

During the year ended 31 December 2022, the Audit Committee held five meetings for reviewing and discussing with HLB Hodgson the audit plan and key audit matters, the quarterly, interim, and annual results of the Group. The Audit Committee was in the opinion that the preparation of the quarterly, interim and annual results is in compliance with the applicable accounting standards, the GEM Listing Rules and any other applicable laws and has been adequately disclosed. The Audit Committee also reviewed and discussed the risk management and internal control review report prepared by independent professional adviser. The Audit Committee also discussed the Group's risk management and internal control systems with the executive directors to ensure the executive directors had performed their duties to have effective systems properly in place. The Audit Committee also discussed the accounting policies and practices that might affect the Group and financial reporting matters with the management and HLB Hodgson.

At the meeting held on 29 March 2023, the Audit Committee concluded that it was satisfied with its review of the audit fee, process and effectiveness, independence, and objectivity of HLB Hodgson. The Audit Committee has therefore recommended to the Board to have HLB Hodgson re-appointed as the Company's auditors at the annual general meeting in 2023.

Corporate Governance Report

Remuneration Committee

The Company established the Remuneration Committee on 20 January 2006 which currently consists of three independent non-executive directors, namely Mr. Lai Hok Lim (as chairman), Mr. Law Kwok Ho, Kenward and Mr. Fung Wai Ching, and an executive director, namely Mr. Mung Bun Man, Alan with written terms of reference in compliance with the GEM Listing Rules.

The terms of reference of the Remuneration Committee is currently made available on the GEM website and the Company's website.

The main functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual executive directors and senior management, and to make recommendations to the Board on the remuneration of independent non-executive directors. As part of the decision-making process, the Company has adopted the standard declaration of interest procedures for all Board and committee meetings to ensure that no director or committee member will be asked to participate at any decision-making of matters in which they have a material interest, such as decisions regarding his own remuneration.

From this year onwards, the Remuneration Committee will also review the share option scheme of the Company on an annual basis. During the year, no share option was granted under the share option scheme of the Company. No material matter relating to share option schemes, such as grant, vesting, lapse, cancellation, exercise or alteration of terms, was brought to issue during the year requiring the review or approval of the Remuneration Committee.

During the year ended 31 December 2022, the Remuneration Committee held one meeting for reviewing the remuneration packages of the directors for making recommendations to the Board for approval.

Nomination Committee

The Company established the Nomination Committee on 5 January 2012 which currently consists of two independent non-executive directors, namely Mr. Fung Wai Ching (as chairman) and Mr. Lai Hok Lim, and an executive director, namely Mr. Mung Bun Man, Alan, with written terms of reference in compliance with the GEM Listing Rules.

The terms of reference of the Nomination Committee is currently made available on the GEM website and the Company's website.

The functions of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy; to identify individuals suitably qualified to become Board members; to assess the independence of the independent non-executive directors; to review the Board Diversity Policy; and to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation to the following in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the business and other relevant sectors related to the Company and/or its subsidiaries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) independence; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Nomination Committee will evaluate and recommend retiring director(s) to the Board for re-appointment by giving due consideration to the selection criteria, including but not limited to:

(a) the overall contribution and service of the retiring director(s) to the Company, including but not limited to the attendance of the meetings of the Board and/or its committees and general meetings where applicable, in addition to the level of participation and performance on the Board and/or its committees; and

(b) whether the retiring director(s) continue(s) to satisfy the selection criteria.

The Nomination Committee will evaluate and recommend candidate(s) for the position(s) of the independent non-executive directors of the Company by giving due consideration to the factors including but not limited to those set out in Rules 5.05(2) and 5.09 of the GEM Listing Rules in addition to the selection criteria.

Corporate Governance Report

The Nomination Committee will recommend to the Board for the appointment of a director in accordance with the following procedures and processes:

(a) the Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing directors, advertising, recommendations from a third party agency firm and proposals from shareholders of the Company with due consideration given to the selection criteria;

(c) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;

(d) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) the Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;

(f) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive director is considered, the Remuneration Committee will make the recommendation to the Board on the proposed remuneration package;

(g) the Board may arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

(h) all appointments of directors will be confirmed by the filing of the consent to act as director of the relevant director (or any other similar filings requiring the relevant director to acknowledge or accept the appointment as director, as the case may be) to be filed with the relevant Companies Registry.

During the year ended 31 December 2022, the Nomination Committee held one meeting mainly reviewing the size, structure and composition as well as the diversity of the Board, assessing the independence of the independent non-executive directors, the directors to be re-elected at the annual general meeting in 2022 before putting forth for discussion and approval by the Board.

Corporate Governance Committee

The Company established the corporate governance committee (the "**CG Committee**"), with written terms of reference in compliance with the GEM Listing Rules, on 21 March 2012. Currently, the CG Committee comprises an executive director, namely Mr. Mung Bun Man, Alan (as chairman), an independent non-executive director, namely Mr. Fung Wai Ching and the Company Secretary, Ms. Chu Man Ting.

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new director; to review and monitor the training and continuous professional development of directors and senior management; to develop, review and monitor the code of business conduct and ethics applicable to employees and directors, and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2022, the CG Committee held one meeting to review the training and continuous professional development of directors, the Company's policies and practices on corporate governance and to review the Company's compliance with the Code.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance and the implementation of the Code. Ms. Chu Man Ting has been the Company Secretary of the Company since May 2020. She is a member of Hong Kong Institute of Certified Public Accountants. She is an employee of the Company and has day-to-day knowledge of the Group affairs. During the year, Ms. Chu undertook no less than 15 hours of relevant professional training.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All the directors have confirmed that they had complied with the required standards as set out in the GEM Listing Rules during the year ended 31 December 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness annually. The risk management and internal control systems of the Group are designed to manage and mitigate rather than eliminate risks of failures to achieve Group's business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management and internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The risk management and internal control systems are supervised by management team including executive directors and senior management of the Company. In the course of conducting its business, the Group is exposed to various types of risks, including business risks, economic risks, credit risks, financial risks, people risks, legal and compliance risks, operational and other risks. The Board is ultimately responsible for the risk management of the Group.

Corporate Governance Report

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Determine existing and anticipated risk, its characteristics and remoteness in time, duration and the underlying impacts.

Risk Analysis and Assessment

- Assess the risks identified by using the assessment criteria developed by the management; and
- Consider the significance of impacts and consequence on the business and the likelihood of occurrence of the identified risks.

Risk Response

- Select a corresponding risk response based on the result from the risk analysis with considerations of the cause and the Group's tolerance level towards the risk and a balance between risk and returns.

Follow-up Actions for the Identified Risks

- Perform periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revise the risk management approaches to ensure sufficient monitoring of risks when there is any exacerbation of situation in the organisational context indicating the adoption of inappropriate control measures;
- Report the results of risk monitoring to the management and the Board regularly; and
- Evaluate the effectiveness and suitability of the risk management process.

The Group's risk management and internal control systems include the following:

(a) A code of business conduct and ethics that requires all directors and employees of the Group to maintain the basic standards of ethical and legal behavior in conducting business.

(b) A risk management process that identifies and assesses risks that could impact the achievement of agreed strategic and business objectives, and ensures that appropriate mitigating measures and controls are put in place.

(c) A set of policies and procedures relating to operational and financial controls.

(d) A system of financial reporting.

(e) An annual review of the adequacy and effectiveness of the Group's risk management and internal control systems.

The management team is responsible for identifying risks and internal control deficiencies, evaluating the risk management and internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve their effectiveness. To ensure the effectiveness of the Group's risk management and internal control systems, the Group tracked and documented identified risks annually, assessed and evaluated the identified risks by the likelihood of occurrence and the significance of the impact of the risk event, the implementation of mitigating measures, and testing of procedures implemented. A risk matrix is adopted to determine risk rating and the prioritisation of carrying out of corrective actions. The identified risks and the relevant measures have been disclosed in the Management Discussion and Analysis on pages 17 to 21 of this annual report.

The Company does not have internal audit department and in view of the Group's business and scale of operations, the Company adopts the cost-effective method by engagement of independent professionals as internal control adviser to conduct a review of the effectiveness of the Group's risk management and internal control systems at least once a year. Each year, the internal control adviser conducted internal control reviews of the adequacy and effectiveness of certain aspects of the Company's risk management and internal control systems of various cycles under rotation basis, such as financial control, operational control, compliance control and risk management function of the Group. The review report from the internal control adviser was presented to and reviewed by the Audit Committee and the Board. No material issues on the Group's risk management and internal control systems were identified and reported to the Audit Committee and the Board during the year which required significant rectification measures. Accordingly, the Board, in conjunction with the Audit Committee, considers that the Group's risk management and internal control systems were adequate and effective.

The Board has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions, as well as those relating to the Company's environmental, social and governance performance and reporting.

The Company has adopted a policy and procedures on disclosure of inside information which contains the guidelines to the directors and all the relevant employees of the Group to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

AUDITORS' REMUNERATION AND AUDITOR-RELATED MATTERS

During the year, the Company engaged HLB Hodgson to perform audit services and non-audit services and incurred audit services fees of HK$820,000 and non-audit services fees of HK$180,000. The non-audit services consist of reviewing the Group's interim financial statements for the six months ended 30 June 2022. The Company also engaged an audit firm to perform audit services for certain subsidiaries and incurred audit services fees of HK$90,000.

Corporate Governance Report

WHISTLEBLOWING AND PREVENTION OF BRIBERY

The Company is committed to maintaining good corporate governance, emphasising accountability and a high degree of transparency which enable its stakeholders to have trust and faith in the Company to take care of their needs and to fulfill its social responsibility. In line with this commitment, the Group expects and encourages its employees and other parties who deal with the Group (e.g. customers, contractors, suppliers, creditors and debtors, etc.) to report any misconduct, malpractice or irregularity within the Group. The Company has a whistleblowing policy that provides the reporting channels and guidance on reporting possible improprieties in matters of financial reporting or other matters. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and his/her/its identity will be kept confidential. A copy of the whistleblowing policy is available on the Company's website.

The Company commits to maintaining confidence in the integrity of the Group. All directors and employees should show the highest business integrity in their dealings with others and should conduct the Group's business in accordance with the law and principles of good business practice. The Company prohibits all forms of bribery and corruption and has embedded a set of prevention of bribery policies in the Group's Code of Business Conduct and Ethics.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company is held each year at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law of the Cayman Islands. Pursuant to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board shall be reimbursed to the requisitionist by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's head office and principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, shareholders may request the Company to convene an extraordinary general meeting following the procedures under Article 58 of the Articles as set out above.

Pursuant to Article 88 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless there shall have been lodged at the registered office or at the head office a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If a shareholder wishes to propose a person for election as a director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business in Hong Kong in compliance with Article 88 and containing all details as required by Rule 17.50(2) of the GEM Listing Rules.

Voting By Poll

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the forthcoming annual general meeting will be voted by poll.

INVESTOR RELATIONS

Constitutional Documents

There was no change to the Articles during the year. The Articles is available on the website of the Stock Exchange and the Company's website.

Communications with Shareholders

To ensure a good understanding of the Company's business and performance, the Board is committed to maintaining an appropriate level of communication with shareholders and potential investors.

The Company's shareholders' communication policy, which is available on the Company's website, ensures that shareholders and the investment community are provided with equal and timely access to information about the Company, including its financial performance, strategic goals and plans, material developments and corporate governance, and also allows them to engage actively with the Company. The policy sets out various communication channels, including, among others, the Company's website, investor briefings, and shareholders' meetings, through which shareholders may communicate with and provide feedback to the Company from time to time. The policy is reviewed annually by the Board to ensure its effectiveness.

During the year ended 31 December 2022, the Board reviewed the policy and considered that the policy was effective and sufficient, given that multiple channels were in place and adopted to facilitate communications with shareholders and the investment community in conformity with market practices.

Corporate Governance Report

DIVIDEND POLICY

On 31 December 2018, the Company announced that the Board had approved and adopted a dividend policy (the "**Dividend Policy**").

Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. The declaration, payment and amount of dividends are subject to the Board's discretion having regard to the following factors:

(a) the earnings, financial condition, capital requirements and future plans of the Group;

(b) the shareholders' interests;

(c) the economic outlook;

(d) the contractual restrictions on the payment of dividends by the Company to the shareholders;

(e) the statutory and regulatory restrictions on the payment of dividends by the Company; and

(f) any other factors the Board may consider relevant.

The Board shall review the Dividend Policy from time to time and may take any amendments that it deems necessary or desirable.

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the Group's business, comprising a description of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, if any, and an indication of likely future developments in the Group's business can be found in the Management Discussion and Analysis on pages 17 to 21 of the annual report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 55 to 59 of the annual report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders of the Company as at 31 December 2022 were as follows:

	2022	2021
	HK$'000	HK$'000
Share premium	**1,068,425**	1,068,425
Capital reserve	**32,589**	32,589
Accumulated losses	**(1,003,416)**	(859,307)
	97,598	241,707

Under The Companies Law (2013 Revision) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and the Articles (the "**Articles**") of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.

DIRECTORS

The directors of the Company during the year and up to the date of this directors' report were:

Executive directors:

Mr. Cheung Kwok Wai, Elton (*Chairman*)
Mr. Mung Kin Keung
Mr. Mung Bun Man, Alan (*Managing Director*)

Independent non-executive directors:

Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching
Mr. Lai Hok Lim

In accordance with the Article 87(1) of the Articles, Mr. Mung Kin Keung and Mr. Lai Hok Lim will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

There is no specific length of the terms of office for each of the independent non-executive directors but they are subject to retirement by rotation at least once every three years in accordance with the Articles.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company considers all of the independent non-executive directors are independent.

During the year and up to the date of this report, Mr. Cheung Kwok Wai, Elton and Mr. Mung Bun Man, Alan are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include Mr. Ho Ken Hon, Mr. Kelvin Keung, Mr. Lee Hung Choi, Chris (resigned on 19 May 2022), Mr. Tse Joseph (appointed on 19 May 2022), Mr. Wong Chi Chiu, Ms. Wan Yui, Mr. Yip Sau Hoi and Ms. Yung Fung Ping.

Biographical information of the directors of the Company are set out on pages 48 to 49 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in Section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, none of the directors and the chief executive and their associates had any interests in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SHARE OPTIONS

Particulars of the share option scheme are set out in note 33 to the consolidated financial statements.

During the year, no share options were outstanding and granted under the Company's share option scheme.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed in the section headed "Share Options" above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DISCLOSURE PURSUANT TO RULE 17.22 OF THE GEM LISTING RULES

As at 31 December 2022, the outstanding principal amount of the loan made by the Group to Mr. Yuen Hoi Po, an independent third party customer, amounted to HK$62,247,000 (before accumulated allowance for expected credit loss), which exceeds 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules. The loan is interest-bearing at 9.00% per annum, unsecured, and repayable in one lump sum on 10 November 2022. The loan granted to Mr. Yuen Hoi Po was in the ordinary course of the Group's money lending business. Details of the grant of the loan were disclosed in the Company's announcements dated 28 November 2018 and 11 November 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

(a) On 19 May 2019, Mr. Cheung Kwok Wai, Elton executed a personal guarantee as guarantor to secure the Company's payment obligations under a loan of HK$100,000,000 granted by a finance company. No consideration was paid by the Company to Mr. Cheung Kwok Wai, Elton for providing the personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Cheung Kwok Wai, Elton.

As at 31 December 2022, the provision of the personal guarantee by Mr. Cheung Kwok Wai, Elton remained in full force and effect.

(b) On 24 September 2021, Famous Flamingo Limited ("**Famous Flamingo**") and Hope Master Investments Limited ("**Hope Master**"), two wholly-owned subsidiaries of the Company, as landlords, entered into two tenancy agreements with Global Mastermind Capital Limited, now known as Walnut Capital Limited ("**WCL**"), a company 74.99% owned by Mr. Mung Bun Man, Alan, as tenant, for a term of one year with a monthly rental of HK$78,400 and HK$138,936, respectively, from 15 October 2021 to 14 October 2022.

The two tenancy agreements were expired on 14 October 2022.

(c) On 29 September 2022, Famous Flamingo and Hope Master, as landlords, entered into two tenancy agreements with WCL, as tenant, for a term of one year with a monthly rental of HK$70,000 and HK$124,050, respectively, from 15 October 2022 to 14 October 2023.

As at 31 December 2022, the two tenancy agreements remained in full force and effect.

Other than as disclosed above, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director or a connected entity of 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.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions.

(a) Brokerage services, margin loan financing and corporate advisory services

Name of connected person	Brokerage commission income and/or other service charges paid to the Group	Corporate advisory services income paid to the Group	Margin loan interest paid to the Group for the year	Maximum amount of margin loan for the year
	HK$	HK$	HK$	HK$
Executive Director				
Mr. Cheung Kwok Wai, Elton	256	–	–	–
Directors of certain subsidiaries of the Group				
Mr. Ho Ken Hon	151,299	–	3,967	540,851
Mr. Wong Chi Chiu	13,807	–	10,619	388,924
Substantial shareholder				
Eternity Finance Group Limited and its associates *(Note)*	181,212	70,000	49,251	2,416,294

Note:

Eternity Finance Group Limited is a substantial shareholder of the Company and thus is a connected person of the Company. Eternity Finance Group Limited is a wholly-owned subsidiary of Eternity Investment Limited ("**Eternity**") (stock code: 764), a company listed on the Main Board of the Stock Exchange. During the year ended 31 December 2022, the aggregate amount of brokerage commission income, other service charges and margin loan interest of HK$230,463 were paid by Eternity Finance Group Limited and certain subsidiaries and controlled structured entity of Eternity to the Group and the corporate advisory service income of HK$70,000 was paid by Eternity to the Group.

The directors (including the independent non-executive directors) were of the opinion that the above transactions were on normal commercial terms. As all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were (i) less than 1% and the transactions were connected transactions only because they involved connected persons at the subsidiary level; or (ii) less than 5% and the annual consideration was less than HK$3,000,000, the above transactions were fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 20.74(1)(b) or Rule 20.74(1)(c) of the GEM Listing Rules.

Directors' Report

(b) Tenancy agreement with Eurus Express Limited

On 14 January 2022, Famous Flamingo, as landlord, entered into a tenancy agreement with Eurus Express Limited, as tenant, for a term of one year with a monthly rental of HK$75,824 from 1 January 2022 to 31 December 2022. During the year ended 31 December 2022, Famous Flamingo received rental income in an aggregate amount of HK$910,000 from Eurus Express Limited (31 December 2021: HK$1,300,000).

Eurus Express Limited is beneficially owned by Mr. Mung Hon Ting, Jackie, who is the son, and the brother of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan respectively and, both of them are executive directors of the Company. Mr. Mung Hon Ting, Jackie is a connected person of the Company. The entering into the tenancy agreement thus constituted a continuing connected transaction under Chapter 20 of the GEM Listing Rules. The directors (including the independent non-executive directors) were of the opinion that the terms of the tenancy agreement were fair and reasonable, the transaction contemplated thereunder was on normal commercial terms and in the interests of the Company and its shareholders as a whole.

As all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were less than 5% and the annual consideration was less than HK$3,000,000, the transactions were exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 20.74(1)(c) of the GEM Listing Rules.

(c) Tenancy agreements with WCL

On 24 September 2021, Famous Flamingo and Hope Master, as landlords, entered into two tenancy agreements with WCL, as tenant, for a term of one year with a monthly rental of HK$78,400 and HK$138,936, respectively, from 15 October 2021 to 14 October 2022.

On 29 September 2022, Famous Flamingo and Hope Master, as landlords, entered into the two new tenancy agreements with WCL, as tenant, for a term of one year with a monthly rental of HK$70,000 and HK$124,050, respectively, from 15 October 2022 to 14 October 2023.

During the year ended 31 December 2022, Famous Flamingo and Hope Master received rental income in the aggregate amounts of HK$919,000 and HK$1,629,000 respectively from WCL (31 December 2021: HK$1,258,000 and HK$2,230,000 respectively).

As Mr. Mung Bun Man, Alan, an executive director of the Company, owns 74.99% interest in WCL, the entering into the tenancy agreements constituted continuing connected transactions under Chapter 20 of the GEM Listing Rules. The directors (including the independent non-executive directors) were of the opinion that the terms of the tenancy agreements were fair and reasonable, the transactions contemplated thereunder were on normal commercial terms and in the interests of the Company and its shareholders as a whole.

As all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules in respect of the tenancy agreements dated 29 September 2022 when aggregated were less than 5% and the annual consideration was less than HK$3,000,000, the transactions under the tenancy agreements dated 29 September 2022 were fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 20.74(1)(c) of the GEM Listing Rules.

(d) Tenancy agreement with Max Winner Investments Limited

On 22 March 2021, Global Mastermind Financial Services Limited, a wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement with Max Winner Investments Limited, a wholly-owned subsidiary of Eternity, as landlord, for a term of one year with a monthly rental of HK$243,000 from 23 April 2021 to 22 April 2022. On 25 April 2022, Global Mastermind Financial Services Limited, as tenant, entered into a new tenancy agreement with Max Winner Investments Limited, as landlord, for a term of one year with a monthly rental of HK$260,000 from 23 April 2022 to 22 April 2023. During the year ended 31 December 2022, Global Mastermind Financial Services Limited paid rental expense of HK$3,057,000 to Max Winner Investments Limited (31 December 2021: HK$2,937,000).

Eternity is a substantial shareholder of the Company, the entering into the tenancy agreement thus constituted a continuing connected transaction under Chapter 20 of the GEM Listing Rules. The directors (including the independent non-executive directors) were of the opinion that the terms of the tenancy agreement were fair and reasonable, the transaction contemplated thereunder was on normal commercial terms and in the interest of the Company and its shareholders as a whole.

As all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were less than 5% and the annual consideration was less than HK$3,000,000, the transactions were fully exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 20.74(1)(c) of the GEM Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

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

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

a. Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of shares of the Company held	Percentage of the issued share capital of the Company
Heng Tai Finance Limited *(Note 1)*	Beneficial owner	84,507,042	16.54%
Heng Tai Consumables Group Limited *(Note 1)*	Interest of controlled corporation	84,507,042	16.54%
Eternity *(Note 2)*	Interest of controlled corporation	94,497,000	18.50%

Directors' Report

Notes:

1. Heng Tai Finance Limited is a wholly-owned subsidiary of Heng Tai Consumables Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 197). Heng Tai Finance Limited is interested in 84,507,042 ordinary shares of the Company. Heng Tai Consumables Group Limited is deemed to be interested in such 84,507,042 ordinary shares by virtue of the Securities and Futures Ordinance.

2. Eternity Finance Group Limited and Max Winner Investments Limited are wholly-owned subsidiaries of Eternity. Eternity Finance Group Limited and Max Winner Investment Limited are interested in 81,932,000 and 12,565,000 ordinary shares of the Company respectively. Eternity is deemed to be interested in such 94,497,000 ordinary shares by virtue of the Securities and Futures Ordinance.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, Mr. Cheung Kwok Wai, Elton, the Chairman of the Board and an executive director, has interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

(a) Mr. Cheung Kwok Wai, Elton has an indirect interest of 15.29% in the issued shares of and is an executive director of Eternity. The subsidiaries of Eternity also engage in money lending and the sale of financial assets businesses.

(b) Mr. Cheung Kwok Wai, Elton is the vice-chairman of the board of directors and an executive director of China Healthwise Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 348). The subsidiaries of China Healthwise Holdings Limited also engage in money lending and investment in financial instruments businesses.

As the board of directors of the Company is independent of the boards of directors of the above entities, the Group is capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

PRE-EMPTIVE RIGHTS

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

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 34 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is based on their individual performance, qualifications and competence.

The emoluments of the directors of the Company are approved by the Board on the recommendations of the Remuneration Committee with reference to their duties and responsibilities in the Company.

The Company has adopted a share option scheme as an incentive to directors and eligible persons. Details of the share option scheme are set out in note 33 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In 2022, the Group's largest customer and five largest customers accounted for 18% (2021: 11%) and 55% (2021: 43%) of its revenue respectively.

Purchases from the five largest suppliers accounted for less than 30% of the total purchases for both years.

At no time during the year did a director, a close associate of a director or a shareholder of the Company (which to the knowledge of the directors of the Company owns more than 5% of the number of issued shares of Company) have an interest in any of the Group's five largest customers or suppliers.

CHARITABLE DONATIONS

During the year, the Group did not make any charitable donations (2021: Nil).

AUDITORS

HLB Hodgson Impey Cheng Limited shall retire in the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

This report was approved by the Board on 29 March 2023 and signed on its behalf by:

Cheung Kwok Wai, Elton
Chairman

Biographies of Directors

EXECUTIVE DIRECTORS

Mr. Cheung Kwok Wai, Elton, aged 57, was appointed as the Chairman of the Board and an executive director of the Company on 16 December 2016. He is also the compliance officer and director of certain subsidiaries of the Company. He has over 30 years of experience in the area of corporate finance and securities industries. He holds a Master Degree in Accounting and Finance from the University of Lancaster in the United Kingdom. Mr. Cheung has been appointed as an executive director of Eternity Investment Limited ("**Eternity**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 764) since 1 February 2011. On 28 October 2019, Mr. Cheung has been appointed as an executive director and the vice-chairman of China Healthwise Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 348). Mr. Cheung was an executive director of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 938), during the period from 26 June 2015 to 3 April 2018.

As at the date of this annual report, Mr. Cheung was indirectly interested in 583,832,803 shares of Eternity, representing approximately 15.29% of the issued share capital of Eternity, which in turn held 94,497,000 shares of the Company, representing approximately 18.50% of the issued share capital of the Company.

Mr. Mung Kin Keung, aged 62, was appointed as an executive director of the Company on 19 June 2014. He holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, he was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has extensive experience in areas of business management, strategic planning and development. He has been appointed as an executive director of Global Mastermind Capital Limited (now known as Walnut Capital Limited ("**WCL**")), a company listed on the Main Board of the Stock Exchange, (stock code: 905), since 9 March 2007. From 20 February 2019 to 28 June 2019, Mr. Mung was re-appointed as an executive director and the co-chairman of CWT International Limited ("**CWT International**", stock code: 521), a company listed on the Main Board of the Stock Exchange. Mr. Mung was an executive director of CWT International from 16 February 2009 to 3 June 2015, during which he was redesignated as a vice-chairman on 10 May 2010 and re-designated as a co-chairman on 24 October 2013, until his resignation on 3 June 2015. From 1 February 2018 to 3 August 2018, Mr. Mung was appointed as the vice-chairman and an executive director of Hong Kong International Construction Investment Management Group Co., Limited (now known as Tysan Holdings Limited, stock code: 687), a company listed on the Main Board of the Stock Exchange.

Mr. Mung is the father of Mr. Mung Bun Man, Alan, the Managing Director and an executive director of the Company.

Mr. Mung Bun Man, Alan, aged 36, was appointed as an executive director of the Company on 24 March 2014 and the Managing Director of the Company on 16 December 2016. He is also director of certain subsidiaries of the Company, a member of each of the Remuneration Committee and the Nomination Committee of the Board. He holds a Bachelor of Arts Degree in Business Economics from University of California-Santa Barbara and a Master Degree in Finance from Peking University. He has extensive working experience in investment and asset management. Mr. Mung was appointed as an executive director of WCL from 12 November 2010 to 3 April 2013 and has been re-appointed as executive director of WCL since 31 March 2014. From 5 September 2017 to 25 November 2019, Mr. Mung was re-appointed as a non-executive director of CWT International. From 24 October 2013 to 6 February 2015, Mr. Mung was an executive director of CWT International.

Mr. Mung is the son of Mr. Mung Kin Keung, an executive director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Kwok Ho, Kenward, aged 50, has been appointed as an independent non-executive director of the Company on 11 December 2015. He is also the chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. Mr. Law graduated from the University of New South Wales, Australia with a Bachelor of Commerce in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. Law has experiences in auditing, taxation and finance for over 20 years. Mr. Law is presently the general manager of a consultancy company in Hong Kong.

Mr. Fung Wai Ching, aged 53, has been appointed as an independent non-executive director of the Company on 23 June 2014. He is also the chairman of Nomination Committee of the Board and a member of each of the Audit Committee and Remuneration Committee of the Board. Mr. Fung has over 20 years' experience in managing paper, packaging and printing industries in both China and Hong Kong markets. Mr. Fung has been appointed as an independent non-executive director of WCL, since 10 October 2014.

Mr. Lai Hok Lim, aged 64, has been appointed as an independent non-executive director of the Company on 24 July 2020. He is also the chairman of Remuneration Committee of the Board and a member of each of the Audit Committee and Nomination Committee of the Board. Mr. Lai is a practising solicitor in Hong Kong since 1989. He graduated from the University of Hong Kong with a Bachelor of Arts Degree and holds a Bachelor of Arts (Law) Degree from the University of Sussex in the United Kingdom and a Bachelor of Law Degree from Beijing University in the People's Republic of China. Mr. Lai is currently an independent non-executive director of China Healthwise Holdings Limited. Mr. Lai was an independent non-executive director of Man Sang International Limited during the period from 1 December 2016 to 5 November 2018.

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
GLOBAL MASTERMIND HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Global Mastermind Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 160, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group 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 QUALIFIED OPINION

Corresponding figures – Unavailability of accounting books and records of Safe2Travel Pte Ltd subsequent to the disposal of Harvest Well International Limited

As disclosed in notes 3 and 35 to the consolidated financial statements, the disposal (the "**HW Disposal**") of the Group's entire equity interests in Harvest Well International Limited ("**Harvest Well**" or "**HW**") to a purchaser (the "**HW Purchaser**") was completed on 30 August 2021. The principal subsidiary of Harvest Well was Safe2Travel Pte Ltd ("**Safe2Travel**"), which was engaged in travel business in Singapore. We were given to understand by the directors of the Company that, after the HW Disposal, the accounting books and records of Safe2Travel were maintained at Safe2Travel's office in Singapore, and part of accounting books and records relating to Safe2Travel which were retained by the Group that were made available to us were not sufficient for the purposes of our audit of the consolidated financial statements of the Group. According to the directors of the Company, they had taken all reasonable steps and used their best endeavours to request the HW Purchaser to provide assistance to us, but were given to understand that the HW Purchaser had failed to procure the cooperation of the directors of Safe2Travel in the provision of documents and access to information despite repeated demands, as a result of which we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether (i) the financial performance and cash flows of Safe2Travel for the period from 1 January 2021 to the disposal date as disclosed in note 12 to the consolidated financial statements; (ii) the carrying amounts of assets and liabilities of Safe2Travel as at the disposal date as disclosed in note 35 to the consolidated financial statements; (iii) the gain on disposal of Harvest Well as disclosed in note 35 to the consolidated financial statements; and (iv) the elements making up and disclosures relating to Safe2Travel included in the consolidated financial statements of the Group, were free from material misstatements. Any adjustments found to be necessary might have consequential significant impacts on the loss and other comprehensive loss and cash flows of the Group for the year ended 31 December 2021 and the elements making up, and related disclosures in, the consolidated financial statements. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

BASIS FOR QUALIFIED OPINION *(Continued)*

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 *Auditors' 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 qualified audit opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss ("ECL") assessment on loan receivables Refer to note 23 to the consolidated financial statements.	
At 31 December 2022, the Group had loan receivables, net of accumulated allowance for ECL, of HK$36,149,000. During the year ended 31 December 2022, allowance for ECL on loan receivables of HK$112,975,000 was recognised. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures. The Group considers reasonable and supportable information including historical and forward-looking information that is relevant and available without undue cost or effort for this purpose. Due to the key source of estimation uncertainty and the significant assumptions and judgement involved, ECL assessment on loan receivables is identified as a key audit matter.	Our audit procedures in relation to the management's ECL assessment of loan receivables included: • Understanding the credit control procedures performed by management, including its procedures on periodic review of loan receivables and ECL assessment on loan receivables; • Checking, on a sample basis, the accuracy of aging profile of loan receivables to the underlying agreements; • Checking, on a sample basis, the subsequent settlement of loan receivables to bank receipts; and • Assessing the appropriateness of the ECL provision methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL. We found the management judgement and estimates used to assess allowance for ECL on loan receivables were supportable by available evidence.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to note 19 to the consolidated financial statements. At 31 December 2022, the Group had investment properties of HK$162,200,000. A loss on fair value changes of investment properties of HK$5,000,000 was recognised in profit or loss during the year ended 31 December 2022. The fair value of the Group's investment properties is determined by adopting the valuation techniques with assumptions of market conditions and judgement. The Group also engaged an independent qualified professional firm of valuers to establish and determine the appropriate valuation techniques. Due to the key source of estimation uncertainty and the significant assumptions and judgement involved, valuation of investment properties is identified as a key audit matter.	Our audit procedures in relation to management's determination of the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent external valuers; • Assessing the appropriateness of the valuation methodologies, key assumptions and estimates used, based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found the management judgement and estimates used to assess the fair value of investment properties were supportable by available evidence.

OTHER INFORMATION

The directors 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 auditors' report thereon (the "**Other Information**").

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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about certain corresponding figures included in the consolidated financial statements. Accordingly, we are unable to conclude whether or not the Other Information is materially misstated with respect to these matters.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Ng Ka Wah.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417

Hong Kong, 29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Continuing operations			
Interest income from money lending business		**13,402**	27,885
Commission income from securities brokerage		**2,057**	4,636
Interest income from margin financing		**6,883**	6,137
Interest income from initial public offering financing		**–**	60
Handling and settlement income arising from securities brokerage		**3,787**	6,991
Asset management fee income		**3**	74
Advisory fee income from corporate finance		**120**	2,504
Net realised gain on securities investment	5	**10**	5,389
Net unrealised (loss)/gain on securities investment	5	**(6,842)**	8,999
Other income, other gains and losses	7	**3,672**	(3,763)
Staff costs		**(15,303)**	(17,311)
Depreciation and amortisation expenses		**(340)**	(2,031)
(Loss)/gain on fair value changes of investment properties	19	**(5,000)**	3,900
Allowance for expected credit loss on financial guarantee contract	29	**(106)**	(7,209)
Allowance for expected credit loss on account receivables from securities margin clients	22	**(13,232)**	(7,149)
Allowance for expected credit loss on loan receivables	23	**(112,975)**	(76,314)
Loss on fair value changes of convertible bonds	31	**–**	(96,338)
Other expenses	8	**(18,554)**	(20,698)
Finance costs	9	**(8,000)**	(9,677)
Loss before tax		**(150,418)**	(173,915)
Income tax expense	10	**(12,398)**	(1,721)
Loss for the year from continuing operations	11	**(162,816)**	(175,636)
Discontinued operation			
Loss for the year from discontinued operation	12	**–**	(7,462)
Loss for the year		**(162,816)**	(183,098)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	–	45
Reclassification of cumulative exchange reserve upon disposal of foreign operations	–	19,066
	–	19,111
Other comprehensive income for the year	–	19,111
Total comprehensive expense for the year	**(162,816)**	(163,987)
Loss for the year attributable to owners of the Company:		
– from continuing operations	**(162,815)**	(175,629)
– from discontinued operation	–	(7,462)
	(162,815)	(183,091)
Loss for the year attributable to non-controlling interests:		
– from continuing operations	**(1)**	(7)
– from discontinued operation	–	–
	(1)	(7)
	(162,816)	(183,098)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(162,815)**	(163,980)
Non-controlling interests		**(1)**	(7)
		(162,816)	(163,987)
Total comprehensive (expense)/income for the year attributable to owners of the Company:			
– from continuing operations		**(162,815)**	(172,452)
– from discontinued operation		**–**	8,472
		(162,815)	(163,980)
Loss per share attributable to owners of the Company	16		
From continuing and discontinued operations:			
Basic and diluted (HK cents)		**(31.87)**	(38.12)
From continuing operations:			
Basic and diluted (HK cents)		**(31.87)**	(36.57)

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

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Non-current assets			
Property, plant and equipment	17	**1**	7
Investment properties	19	**162,200**	167,200
Intangible asset	20	**461**	795
Deferred tax assets	30	**–**	12,406
		162,662	180,408
Current assets			
Trade and other receivables	22	**54,506**	67,538
Loan receivables	23	**36,149**	160,321
Financial assets at fair value through profit or loss	24	**11,847**	17,487
Tax recoverable		**925**	918
Bank trust account balances	25	**13,513**	18,130
Bank balances and cash	26	**31,193**	33,657
		148,133	298,051
Current liabilities			
Trade and other payables	27	**26,710**	29,210
Tax payables		**–**	69
Other borrowing	28	**100,000**	100,000
Financial guarantee contract	29	**4,930**	7,209
		131,640	136,488
Net current assets		**16,493**	161,563
Total assets less current liabilities		**179,155**	341,971
Net assets		**179,155**	341,971

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	32	**51,079**	51,079
Share premium and reserves		**128,084**	290,899
Equity attributable to owners of the Company		**179,163**	341,978
Non-controlling interests		**(8)**	(7)
Total equity		**179,155**	341,971

The consolidated financial statements on pages 55 to 160 were approved and authorised for issue by the board of directors on 29 March 2023 and are signed on its behalf by:

Cheung Kwok Wai, Elton
Executive Director

Mung Bun Man, Alan
Executive Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Exchange reserve HK$'000	Property revaluation reserve HK$'000 (Note ii)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	42,629	920,537	32,589	(19,111)	65,547	(692,571)	349,620	–	349,620
Loss for the year	–	–	–	–	–	(183,091)	(183,091)	(7)	(183,098)
Other comprehensive income for the year	–	–	–	19,111	–	–	19,111	–	19,111
Total comprehensive income/(expense) for the year	–	–	–	19,111	–	(183,091)	(163,980)	(7)	(163,987)
Conversion of convertible bonds (Note 31)	8,450	147,888	–	–	–	–	156,338	–	156,338
At 31 December 2021 and at 1 January 2022	51,079	1,068,425	32,589	–	65,547	(875,662)	341,978	(7)	341,971
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	(162,815)	(162,815)	(1)	(162,816)
At 31 December 2022	**51,079**	**1,068,425**	**32,589**	**–**	**65,547**	**(1,038,477)**	**179,163**	**(8)**	**179,155**

Notes:

(i) The capital reserve represented the credit arising from the capital reduction effected by the Company during the year ended 31 December 2009.

(ii) The property revaluation reserve represents cumulative gains and losses arising from revaluation of the corresponding properties during the year ended 31 December 2018 upon transfer of self-owned properties to investment properties that have been recognised in other comprehensive income. Such item will not be reclassified to profit or loss in subsequent periods.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Operating activities		
Loss before tax from continuing operations	**(150,418)**	(173,915)
Loss before tax from discontinued operation	**–**	(7,462)
	(150,418)	(181,377)
Adjustments for:		
Interest income	**(2)**	–
Finance costs	**8,000**	10,441
Amortisation of intangible assets	**334**	205
Depreciation of property, plant and equipment	**6**	141
Depreciation of right-of-use assets	**–**	2,921
Allowance for expected credit loss on financial guarantee contract	**106**	7,209
Allowance for expected credit loss on loan receivables	**112,975**	76,314
Allowance for expected credit loss on trade receivables	**13,232**	8,019
Loss on fair value changes of convertible bonds	**–**	96,338
Loss/(gain) on fair value changes of investment securities	**6,842**	(14,373)
Loss/(gain) on fair value changes of investment properties	**5,000**	(3,900)
Gain on disposal of property, plant and equipment	**–**	(160)
Loss on disposal of interest in a joint venture	**–**	3,177
Gain on disposal of subsidiaries	**–**	(114)
Operating cash flows before movements in working capital	**(3,925)**	4,841
(Increase)/decrease in trade and other receivables	**(200)**	3,605
Decrease/(increase) in bank trust account balances	**4,617**	(3,267)
Loan advanced to a money lending customer	**(15,792)**	–
Loan repayments from money lending customers	**28,174**	17,351
Increase in loan interest receivables from money lending customers	**(1,185)**	(8,005)
(Increase)/decrease in financial assets at fair value through profit or loss	**(1,202)**	18,557
(Decrease)/increase in trade and other payables	**(2,500)**	5,168
Increase in contract liabilities	**–**	237
Decrease in financial guarantee contract	**(2,385)**	–
Cash generated from operations	**5,602**	38,487
Income tax paid	**(68)**	(565)
Net cash generated from operating activities	**5,534**	37,922

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Investing activities		
Net cash outflow on disposal of subsidiaries	–	(1,228)
Purchases of intangible assets	–	(1,000)
Purchases of property, plant and equipment	–	(65)
Proceeds from disposal of property, plant and equipment	–	198
Interest received	2	–
Net cash generated from/(used in) investing activities	2	(2,095)
Financing activities		
Interest paid	(8,000)	(11,099)
Repayments of bank borrowings	–	(16,933)
Repayments of lease liabilities	–	(2,594)
Net cash used in financing activities	(8,000)	(30,626)
Net (decrease)/increase in cash and cash equivalents	(2,464)	5,201
Cash and cash equivalents at 1 January	33,657	28,721
Effect of foreign exchange rate changes	–	(265)
Cash and cash equivalents at 31 December, represented by bank balances and cash	31,193	33,657

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

Global Mastermind Holdings Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "**Group**") are the provision and operation of travel business, treasury management business, money lending business, provision of securities, asset management business and financial advisory business.

The 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")

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 (the "**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
Amendments 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
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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.

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

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after a date to be determined.

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

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 in 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 GEM of the Stock Exchange (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, 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.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Consolidation of Harvest Well International Limited and its subsidiaries

During the year ended 31 December 2021, the Group entered into a sale and purchase agreement to dispose of its entire equity interests in Harvest Well International Limited ("**Harvest Well**", together with its subsidiaries, collectively referred to as the "**Harvest Well Group**"). The Harvest Well Group was principally engaged in travel business in Singapore through its subsidiary, Safe2Travel Pte Ltd ("**Safe2Travel**").

The accounting books and records of Safe2Travel were maintained at Safe2Travel's office in Singapore, and part of accounting books and records relating to Safe2Travel which were retained by the Group that were made available to the auditors were not sufficient for the purposes of its audit of the consolidated financial statements of the Group. The directors of the Company have taken all reasonable steps and used its best endeavours to request the purchaser of Harvest Well to provide assistance in the Company's audit procedures, but the purchaser has failed to procure the cooperation of the directors of Safe2Travel in the provision of documents and access to information despite repeated demands.

The followings are the unaudited financial results of the Harvest Well Group for the period from 1 January 2021 to the disposal date of Harvest Well included in the consolidated loss and other comprehensive loss of the Group for the year ended 31 December 2021:

Unaudited financial results of the Harvest Well Group for the period from 1 January 2021 to the disposal date of Harvest Well

	HK$'000
Service income from provision of travel-related services	457
Other income, other gains and losses	2,390
Staff costs	(4,151)
Depreciation expenses	(1,236)
Allowance for expected credit loss on trade receivables	(870)
Other expenses	(3,402)
Finance costs	(764)
Loss for the period attributable to owners of the Company	(7,576)

Details of the carrying amounts of assets and liabilities of the Harvest Well Group as at the disposal date of Harvest Well, and the gain on disposal of the Harvest Well Group and net cash outflow arising from the disposal of the Harvest Well Group are set out in note 35.

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

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary 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, 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).

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

3.2 Significant accounting policies *(Continued)*

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture 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 joint venture. Changes in net assets of the joint venture 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 a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), 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 joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, 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.

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

3.2 Significant accounting policies *(Continued)*

Interest in a joint venture *(Continued)*

The Group assesses whether there is an objective evidence that the interest in a joint venture 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.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9 *Financial instruments*, 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 joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture 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 of the relevant joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture 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.

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.

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)*

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 *Financial Instruments*. 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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 or arising from business combinations on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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)*

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 are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

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

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

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 2022;
- 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 amount forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

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

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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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.

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 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 rates 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 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 exchange 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 a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Government grants

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

Government grants 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, other gains and losses.

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

3.2 Significant accounting policies *(Continued)*

Employee benefits

Retirement benefit costs

Payments to the state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-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.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. 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 interest in a joint venture, 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

For the purposes of measuring deferred tax for 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.

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 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

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

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

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 less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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 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 fair value, 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 disposal. 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 profit or loss in the period in which the property is derecognised.

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

3.2 Significant accounting policies *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible 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 ("**CGU**") to which the asset belongs.

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, right-of-use assets and intangible assets other than goodwill *(Continued)*

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

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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 CGUs. 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 CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

3.2 Significant accounting policies *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

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).

Contingent assets and liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change 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)*

Contingent assets and liabilities (Continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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.

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)*

(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 includes any dividend or interest earned on the financial asset and is included in the "net realised gain on securities investment" line item.

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

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, loan receivables, bank trust account balances and bank balances), and other items (financial guarantee contract) 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. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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)*

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

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

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

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)*

(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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and 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 financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for certain trade and other 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 loan receivables where the corresponding adjustment is recognised through an allowance for ECL account.

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)

Derecognition/modification 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.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of 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)*

Financial instruments *(Continued)*

Financial liabilities and equity

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 and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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 (Continued)

Financial liabilities at FVTPL *(Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and other borrowing are subsequently measured at amortised cost, using the effective interest method.

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 (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the allowance for ECL determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

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 (Continued)

Convertible bonds contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value and the convertible bonds are designated as at FVTPL. In subsequent period, changes in fair value are recognised in profit or loss as fair value gain or loss except for changes in the fair value that is attributable to changes in the credit risk (excluding changes in fair value of the derivatives component) is recognised in other comprehensive income, unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, they are transferred to retained profits upon derecognition.

Transaction costs relating to the issue of the convertible loan notes are charged to profit or loss immediately.

Derecognition/modification 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.

When the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fee received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

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 (Continued)

Derecognition/modification of financial liabilities *(Continued)*

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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.

Related party transactions

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

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

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

3.2 Significant accounting policies *(Continued)*

Related party transactions *(Continued)*

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

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

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) both entities are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i);

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

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

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

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

Fair value measurement of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 19.

In relying on the valuation report, the management of the Group have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the carrying amount of the Group's investment properties is HK$162,200,000 (2021: HK$167,200,000).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for ECL on loan receivables and account receivables from securities margin clients

Allowance for ECL on loan receivables and account receivables from securities margin clients are assessed on 12m ECL basis when there had been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the provision will be based on the lifetime ECL. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The allowance for ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables and account receivables from securities margin clients are disclosed in notes 22, 23 and 38(b).

As at 31 December 2022, the carrying amount of loan receivables and account receivables from securities margin clients, net of accumulated allowance for ECL is HK$36,149,000 (2021: HK$160,321,000) and HK$49,213,000 (2021: HK$61,128,000) respectively.

5. NET (LOSS)/GAIN ON SECURITIES INVESTMENT

Net realised gain or loss on securities investment represents the proceeds from sale of financial assets at FVTPL less the carrying amounts of respective financial assets measured at fair value at the end of last financial year, and dividend income is recognised when the Group's right to receive the dividend is established. Net unrealised gain or loss represents the remaining fair value changes on the financial assets at FVTPL.

	2022 **HK$'000**	2021 HK$'000
Net realised gain on financial assets at FVTPL		
Proceeds from sale of financial assets at FVTPL	**–**	18,557
Carrying amount of financial assets at FVTPL	**–**	(13,183)
	–	5,374
Dividend income from securities investment	**10**	15
	10	5,389
Net unrealised (loss)/gain on financial assets at FVTPL	**(6,842)**	8,999
	(6,832)	14,388

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. OPERATING SEGMENTS

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker ("**CODM**") representing the board of directors of the Company, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided or income derived from business engaged in. This is also the basis upon which the Group is arranged and organised.

For the years ended 31 December 2022 and 2021, the Group's operations are organised into six reporting and operating segments under HKFRS 8 *Operating Segments:*

Travel business	Providing services of making reservation of hotel rooms and arrangement of packaged tours
Treasury management business	Investing in financial instruments
Money lending business	Money lending
Brokerage business	Providing brokerage services
Asset management business	Providing asset management services
Corporate finance advisory business	Providing corporate finance advisory services

An operating segment regarding the travel business in Singapore was discontinued during the year ended 31 December 2021. The segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 12.

6. OPERATING SEGMENTS *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Segment revenue		Segment (losses)/profits	
	2022	2021	**2022**	2021
	HK'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Travel business	**–**	–	**–**	–
Treasury management business	**10**	5,389	**(6,844)**	14,379
Money lending business	**13,402**	27,885	**(119,797)**	(60,075)
Brokerage business	**12,727**	17,824	**(10,000)**	(2,992)
Asset management business	**3**	74	**(26)**	(5)
Corporate finance advisory business	**120**	2,504	**(1,893)**	414
Total	**26,262**	53,676	**(138,560)**	(48,279)
(Loss)/gain on fair value changes of investment properties			**(5,000)**	3,900
Unallocated income			**3,637**	5,365
Unallocated expenses			**(22,893)**	(136,622)
Loss for the year			**(162,816)**	(175,636)

All of the segment revenue reported above are from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment losses/profits represent the losses incurred/profits earned by each segment without allocation of loss/gain on fair value changes of investment properties, unallocated income (which mainly includes government grants and rental income) and unallocated expenses (which mainly include central administration costs and certain directors' salaries, amortisation of intangible assets, loss on disposal of a joint venture, loss on fair value changes of convertible bonds and loss on financial guarantee contract). This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

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

	2022 HK$'000	2021 HK$'000
Segment assets		
Continuing operations		
Treasury management business	**11,973**	17,604
Money lending business	**37,608**	177,300
Brokerage business	**84,098**	99,143
Asset management business	**8,553**	11,108
Corporate finance advisory business	**302**	545
Travel business	**–**	–
Total reportable segment assets	**142,534**	305,700
Unallocated bank balances and cash	**4,724**	3,572
Unallocated assets	**163,537**	169,187
Consolidated assets	**310,795**	478,459
Segment liabilities		
Continuing operations		
Money lending business	**57**	1,885
Brokerage business	**16,899**	21,073
Asset management business	**76**	316
Corporate finance advisory business	**–**	9
Travel business	**–**	–
Total reportable segment liabilities	**17,032**	23,283
Unallocated liabilities	**114,608**	113,205
Consolidated liabilities	**131,640**	136,488

6. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than property, plant and equipment, intangible asset, investment properties, certain deposits and prepayments and certain bank balances and cash.
- all liabilities are allocated to operating segments other than other borrowing, financial guarantee contract and certain accruals and other payables.

Other information

Amounts included in the measure of segment results or segment assets:

Continuing operations

	Travel business HK$'000	Treasury management business HK$'000	Money lending business HK$'000	Brokerage business HK$'000	Asset management business HK$'000	Corporate finance advisory business HK$'000
Year ended 31 December 2022						
Depreciation of property, plant and equipment	**–**	**–**	**–**	**1**	**–**	**1**
Allowance for ECL on account receivables from securities margin clients	**–**	**–**	**–**	**13,232**	**–**	**–**
Allowance for ECL on loan receivables	**–**	**–**	**112,975**	**–**	**–**	**–**
Year ended 31 December 2021						
Depreciation of property, plant and equipment	–	–	–	4	–	6
Depreciation of right-of-use assets	–	–	1,537	276	–	–
Allowance for ECL on account receivable from a securities margin client	–	–	–	7,149	–	–
Allowance for ECL on loan receivables	–	–	76,314	–	–	–
Finance costs	–	–	16	4	–	–

Geographical information

The Group mainly operates in Hong Kong.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of the assets are detailed below:

	Revenue from external customers		Non-current assets (note)	
	2022 HK'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Hong Kong	**26,262**	53,676	**162,662**	168,002

Note: Non-current assets excluded deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. OPERATING SEGMENTS *(Continued)*

	2022 HK$'000	2021 HK$'000
Continuing operations		
Disaggregation of revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by types of services		
– Commission income from securities brokerage	2,057	4,636
– Handling and settlement income arising from securities brokerage	3,787	6,991
– Asset management fee income	3	74
– Advisory fee income from corporate finance	120	2,504
	5,967	14,205
Revenue from other sources		
– Net realised gain on securities investment	10	5,389
– Interest income from money lending business	13,402	27,885
– Interest income from margin financing	6,883	6,137
– Interest income from initial public offering financing	–	60
	20,295	39,471
Total revenue	26,262	53,676
Timing of revenue recognition		
– point in time	5,844	11,731
– over time	123	2,474
Revenue from contracts with customers	5,967	14,205

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group from continuing and discontinued operations is as follows:

	2022 HK$'000	2021 HK$'000
From money lending business		
Customer A	3,821	N/A*
Customer B	4,746	5,760
Customer C	–	5,602
Customer F	3,070	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME, OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Continuing operations		
Rental income from related parties (note 40(b))	3,458	4,788
Government grants*		
– Employment support scheme from the Hong Kong government	480	–
Bank interest income	2	–
Loss on financial guarantee contract (note 29)	(290)	(6,168)
Loss on disposal of a joint venture (note 21)	–	(3,177)
Others	22	794
	3,672	(3,763)

* The conditions of all those government grants are fulfilled and the Group received the government grants already.

8. OTHER EXPENSES

	2022 HK$'000	2021 HK$'000
Continuing operations		
Handling fee and commission arising from brokerage business	4,775	7,838
Legal and professional fees	4,649	5,517
Expense relating to short-term leases	3,057	2,008
Publication and translation cost	559	811
Computer expenses	661	750
Auditors' remuneration	910	685
Telecommunication expenses	738	596
Building management fee	326	422
Others	2,879	2,071
	18,554	20,698

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Continuing operations		
Interest expense on convertible bonds (note 31)	–	1,657
Interest on other borrowing	8,000	8,000
Interest on lease liabilities	–	20
	8,000	9,677

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Continuing operations		
The tax charge/(credit) comprises:		
Current tax		
– Hong Kong Profits Tax	**2**	91
Overprovision in prior years		
– Hong Kong Profits Tax	**(10)**	(53)
Deferred tax – current year (note 30)	**12,406**	1,683
	12,398	1,721

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 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$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000 for both years.

The income tax expense for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK$'000	2021 HK$'000
Continuing operations		
Loss before tax	**(150,418)**	(173,915)
Tax at domestic income tax rate of 16.5% (2021: 16.5%)	**(24,819)**	(28,696)
Tax effect of expenses not deductible for tax purpose	**899**	20,647
Tax effect of income not taxable for tax purpose	**(73)**	(2,409)
Tax effect of tax losses not recognised	**36,009**	13,247
Tax effect of deductible temporary differences not recognised	**1,319**	–
Utilisation of deductible temporary differences previously not recognised	**(925)**	(924)
Tax relief of 8.25% on first HK$2,000,000 assessable profit	**(2)**	(91)
Overprovision in respect of prior years	**(10)**	(53)
Income tax expense for the year	**12,398**	1,721

11. LOSS FOR THE YEAR

	2022	2021
	HK$'000	HK$'000
Continuing operations		
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments (excluding housing allowance) (note 13)	**2,058**	4,989
Salaries and allowances (excluding directors' emoluments)	**12,950**	12,025
Retirement benefits scheme contribution (excluding directors' emoluments)	**295**	297
Total staff costs	**15,303**	17,311
Gross rental income from investment properties	**(3,458)**	(4,788)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	(3,458)	(4,788)
Auditors' remuneration for audit services:		
Auditors of the Company	**820**	600
Other auditors	**90**	85
	910	685
Amortisation of intangible assets	**334**	205
Depreciation for property, plant and equipment	**6**	13
Depreciation for right-of-use assets	**–**	1,813
Expense relating to short-term leases	**3,057**	2,008

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. DISCONTINUED OPERATION

As disclosed in notes 3 and 35, the Group disposed of its equity interests in Safe2Travel and Harvest Well during the year ended 31 December 2021. The Harvest Well Group, including Safe2Travel, carried out travel business in Singapore. The disposal of Harvest Well was effected in order to reduce the Group's continual exposure to further loss and capital requirements of, and further financial commitments to the Group's travel business in Singapore.

The loss from the discontinued travel business in Singapore for the year ended 31 December 2021 was set out below.

	Period from 1 January 2021 to the disposal date HK$'000
Loss of travel business in Singapore for the period	(7,576)
Gain on disposal of subsidiaries (note 35)	114
	(7,462)

The results of the travel business in Singapore for the period from 1 January 2021 to the disposal date of Harvest Well, which had been included in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021, were as follows:

	Period from 1 January 2021 to the disposal date HK$'000
Service income from provision of travel-related services	457
Other income, other gains and losses	2,390
Staff costs	(4,151)
Depreciation expenses	(1,236)
Allowance for ECL on trade receivables	(870)
Other expenses	(3,402)
Finance costs	(764)
Loss for the period	(7,576)

12. DISCONTINUED OPERATION *(Continued)*

Loss from discontinued operation for the year ended 31 December 2021 had been arrived at after charging/(crediting):

	Period from 1 January 2021 to the disposal date HK$'000
Depreciation for property, plant and equipment	128
Depreciation for right-of-use assets	1,108
Gain on disposal of property, plant and equipment	(160)
Allowance for ECL on trade receivables	870
Retirement benefits scheme contribution	448
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	43
Government grants*	
– Job Support Scheme and Wage Credit Scheme from the Singapore government	(2,165)
– Mandated rental relief from the Singapore government	(62)

* The conditions of all those government grants were fulfilled and the Group received the government grants already.

The carrying amounts of the assets and liabilities of the Harvest Well Group, including Safe2Travel, at disposal date of Harvest Well are disclosed in note 35.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Listing Rules and Hong Kong Companies Ordinance, is as follows:

2022

	Fees HK$'000	Salary HK$'000	Contribution to retirement benefits scheme HK$'000	Housing allowance HK$'000	Total HK$'000
Executive directors:					
Mr. Cheung Kwok Wai, Elton	–	–	–	–	–
Mr. Mung Kin Keung	1,860	–	18	–	1,878
Mr. Mung Bun Man, Alan	–	–	–	–	–
	1,860	–	18	–	1,878
Independent non-executive directors:					
Mr. Law Kwok Ho, Kenward	60	–	–	–	60
Mr. Fung Wai Ching	60	–	–	–	60
Mr. Lai Hok Lim	60	–	–	–	60
	180	–	–	–	180
Total	2,040	–	18	–	2,058

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Listing Rules and Hong Kong Companies Ordinance, is as follows: *(Continued)*

2021

	Fees HK$'000	Salary HK$'000	Contribution to retirement benefits scheme HK$'000	Housing allowance HK$'000	Total HK$'000
Executive directors:					
Mr. Cheung Kwok Wai, Elton	1,900	–	8	–	1,908
Mr. Mung Kin Keung	1,860	–	18	–	1,878
Mr. Mung Bun Man, Alan	1,000	–	8	835	1,843
Mr. Tse Ke Li (Note i)	15	–	–	–	15
	4,775	–	34	835	5,644
Independent non-executive directors:					
Mr. Law Kwok Ho, Kenward	60	–	–	–	60
Mr. Fung Wai Ching	60	–	–	–	60
Mr. Lai Hok Lim	60	–	–	–	60
	180	–	–	–	180
Total	4,955	–	34	835	5,824

Note:

(i) Mr. Tse Ke Li resigned as an executive director of the Company on 15 January 2021.

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

During the year ended 31 December 2022, Mr. Cheung Kwok Wai, Elton and Mr. Mung Bun Man, Alan waived emoluments amounted to HK$4,578,000 (2021: HK$2,671,000) and HK$2,418,000 (2021:HK$1,411,000) respectively.

During the year ended 31 December 2022, no emoluments have been paid by the Group to any of the directors as an inducement to join or upon joining the Group as compensation for loss of office (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one (2021: three) directors, details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining four (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**5,529**	3,062
Performance related bonuses	**214**	135
Contribution to retirement benefits scheme	**72**	36
	5,815	3,233

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$1,000,001-HK$1,500,000	**3**	1
HK$1,500,001-HK$2,000,000	**1**	1
	4	2

During the year ended 31 December 2022, no emoluments have been paid by the Group to any of the above highest-paid individuals as an inducement to join or upon joining the Group as compensation for loss of office (2021: nil).

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of both years.

16. LOSS PER SHARE

(i) For continuing operations

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

	2022 **HK$'000**	2021 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(162,815)**	(175,629)

16. LOSS PER SHARE *(Continued)*

(i) For continuing operations *(Continued)*

	2022 **'000**	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**510,794**	480,232

On 14 April 2021, the Company implemented the share consolidation by consolidating every ten issued and unissued existing ordinary shares of HK$0.01 each of the Company into one ordinary share of HK$0.10 each. The weighted average number of ordinary shares used in the basic and diluted loss per share calculation for the year ended 31 December 2021 was adjusted retrospectively.

(ii) For 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 **HK$'000**	2021 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(162,815)**	(183,091)

The denominators used are the same as those detailed in note 16(i) above for both basic and diluted loss per share.

(iii) From discontinued operation

For the year ended 31 December 2021, basic and diluted loss per share for the discontinued operation is HK1.55 cents per share, based on the loss for the period from the discontinued operation of HK$7,462,000 and the denominators detailed in note 16(i) above for both basic and diluted loss per share.

For the year ended 31 December 2022, the computation of diluted loss per share was the same as the basic loss per share as there was no potential dilutive ordinary shares.

For the year ended 31 December 2021, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost					
At 1 January 2021	5,833	3,396	3,649	2,606	15,484
Additions	–	–	–	65	65
Disposal	–	(1,514)	–	–	(1,514)
Disposal of subsidiaries (note 35)	(3,304)	–	(3,505)	(2,455)	(9,264)
Exchange adjustments	(36)	(6)	(61)	(40)	(143)
At 31 December 2021, at 1 January 2022 and at 31 December 2022	2,493	1,876	83	176	4,628
Depreciation					
At 1 January 2021	5,833	3,320	3,591	2,415	15,159
Provided for the year	–	38	20	83	141
Eliminated upon disposal	–	(1,476)	–	–	(1,476)
Eliminated upon disposal of subsidiaries (note 35)	(3,304)	–	(3,468)	(2,292)	(9,064)
Exchange adjustments	(36)	(6)	(60)	(37)	(139)
At 31 December 2021 and at 1 January 2022	2,493	1,876	83	169	4,621
Provided for the year	–	–	–	6	6
At 31 December 2022	2,493	1,876	83	175	4,627
Carrying amount					
At 31 December 2022	–	–	–	1	1
At 31 December 2021	–	–	–	7	7

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

Leasehold improvements	20% or over the term of the lease, whichever is shorter
Motor vehicles	10% – 20%
Furniture, fixtures and equipment	15% – 33%
Computer equipment	30% – 33%

18. RIGHT-OF-USE ASSETS

	Leasehold land and building HK$'000	Motor vehicle HK$'000	Total HK$'000
Carrying amount as at 1 January 2021	2,183	1,774	3,957
Addition	8,809	–	8,809
Depreciation charge during the year	(2,810)	(111)	(2,921)
Disposal of subsidiaries (note 35)	(8,106)	(1,633)	(9,739)
Exchange adjustments	(76)	(30)	(106)
Carrying amount as at 31 December 2021, at 1 January 2022 and at 31 December 2022	–	–	–

	2022 HK$'000	2021 HK$'000
Expense relating to short-term leases	**3,057**	2,008
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**–**	43
Total cash outflow for leases	**3,057**	4,645
Addition to right-of-use assets	**–**	8,809

The Group regularly entered into short-term leases for office equipment and for office in Hong Kong. The lease term for short-term leases is within one year. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

For the year ended 31 December 2021, the Group leased various offices and a vehicle for its operations. Lease contracts were entered into for fixed term of 1 years to 4.5 years. Lease terms were negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determined the period for which the contract is enforceable.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. RIGHT-OF-USE ASSETS *(Continued)*

Rent concessions

For the year ended 31 December 2021, lessors of offices provided rent concessions to the Group through rent reductions.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant lease of HK$62,000 was recognised as negative variable lease payments in profit or loss during the year ended 31 December 2021 and presented as other income under discontinued operation.

19. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 January 2021	163,300
Increase in fair value recognised in profit or loss (unrealised)	3,900
At 31 December 2021 and at 1 January 2022	167,200
Decrease in fair value recognised in profit or loss (unrealised)	(5,000)
At 31 December 2022	162,200

All investment properties of the Group are offices located in Hong Kong.

The Group leases out the investment properties to related companies under operating leases with rentals receivable monthly. The leases typically have a lease term of one year (2021: one to two years).

On 1 March 2021, the Company formally reached a settlement agreement with the bank in repaying the outstanding bank borrowing and the accrued interest payable owed by Safe2Travel, in discharge of the Company's pre-existing obligations under a parent company guarantee given to the bank to fortify the borrowings of Safe2Travel. The repayment is secured by a first legal mortgage over the Group's investment properties and the assignment of rental proceeds deriving from these investment properties to the bank. The first legal mortgage remains in full force and effect after the disposal of the Harvest Well Group, including Safe2Travel until the bank borrowing being fully repaid.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in HK$. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair values of the Group's investment properties at 31 December 2022 and 31 December 2021 have been arrived at on the basis of valuations carried out on the respective dates by APAC Appraisal and Consulting Limited, an independent professional qualified property valuer not connected to the Group who has recent experience in the location and category of the investment property being valued.

19. INVESTMENT PROPERTIES *(Continued)*

The valuations were arrived at by using combination of income capitalisation method and direct comparison method. Income capitalisation method is based on capitalisation of rent receivables under the existing tenancies while direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

The following table gives information about how the fair value of these investment properties as at 31 December 2022 and 2021 was determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value measurements and valuation processes

Fair value hierarchy	Nature of properties held	Valuation techniques(s) and significant unobservable input(s)	Relationship of unobservable inputs to fair value
Level 3	Office units located in Hong Kong	Combination of income capitalisation method and direct comparison method – based on capitalisation of rent receivables under the existing tenancies and use of market observable comparable prices of similar properties, which are adjusted taking into account locations and other individual factors such as floor level, time, size and view of the properties, with adjusted sales unit rates ranging from HK$40,000 to HK$41,000 (2021: from HK$41,000 to HK$42,000) per square foot on saleable area basis.	A slight decrease in the price per square foot will result in a significant decrease in the fair value, and vice versa.

In estimating the fair values of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the independent qualified valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

There were no transfers into or out of Level 3 during both years. The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment property is disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. INTANGIBLE ASSET

	License HK$'000	Trade name HK$'000	Customer relationship HK$'000	Total HK$'000
Cost				
At 1 January 2021	–	54,777	59,776	114,553
Addition	1,000	–	–	1,000
Disposal of subsidiaries (note 35)	–	(53,805)	(58,715)	(112,520)
Exchange adjustments	–	(972)	(1,061)	(2,033)
At 31 December 2021, at 1 January 2022 and at 31 December 2022	1,000	–	–	1,000
Amortisation and impairment				
At 1 January 2021	–	54,777	59,776	114,553
Provided for the year	205	–	–	205
Eliminated upon disposal of subsidiaries (note 35)	–	(53,805)	(58,715)	(112,520)
Exchange adjustments	–	(972)	(1,061)	(2,033)
At 31 December 2021 and at 1 January 2022	205	–	–	205
Provided for the year	334	–	–	334
At 31 December 2022	539	–	–	539
Carrying amount				
At 31 December 2022	461	–	–	461
At 31 December 2021	795	–	–	795

During the year ended 31 December 2021, the Group acquired brand name license which entitles the Group to promote, distribute and sell the tea products under the brand name of "Hocha" or "好茶養生" in the Greater China and Southeast Asia regions for three years. The license is amortised over the license period of three years.

The trade name and customer relationship were purchased as part of the acquisition of a travel business in Singapore, Safe2Travel, in prior years and were recognised at their fair value at the date of acquisition.

During the year ended 31 December 2021, the trade name and customer relationship was derecognised through the disposal of Harvest Well.

21. INTEREST IN A JOINT VENTURE

On 30 July 2013, Jade Emperor International Limited ("**Jade Emperor**"), a wholly-owned subsidiary of the Company, entered into a venture participation agreement (the "**Participation Agreement**") with Matrix Triumph Sdn. Bhd. ("**MTSB**"), being the joint venture partner, and Discover Orient Holidays Sdn. Bhd. ("**DOH**"), being the joint venture company, for participation and involvement in the business being conducted by DOH at a cash consideration of HK$14 million. DOH, which is incorporated in Malaysia with limited liability and engages principally in the business of operating as an organiser of tours and travel agent in Malaysia.

The transaction was completed on 31 August 2013. Pursuant to the terms of the Participation Agreement, DOH would pay to Jade Emperor a management fee as its share of results which is equivalent to 90% of the profit before taxation of DOH.

In addition to the Participation Agreement, MTSB and Jade Emperor also entered into an option agreement on the same day, pursuant to which MTSB granted a call option to Jade Emperor to acquire the entire issued share capital in DOH at a price to be agreed by the parties with reference to the profit before taxation of DOH or such comparables at the time of exercise of the option. In the opinion of the directors, the exercise price of the call option would be at market value on a mutually agreed basis by the parties at the time of exercise of the option, and therefore the value of the call option had no material financial impact to the Group.

As the Participation Agreement required the consent of both parties on major decisions in the operation and control of DOH, DOH was treated as a joint venture of the Group accordingly.

During the year ended 31 December 2021, the Group disposed of its entire equity interests in Jade Emperor and ceased to have joint control over DOH and the entire exchange differences accumulated in exchange reserve in respect of DOH were reclassified to profit or loss. Accordingly, a loss on disposal of HK$3,177,000 was recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Accounts receivables from brokerage business:		
– Margin clients, net of accumulated allowance for ECL (Note i)	**49,213**	61,128
– Cash clients (Note ii)	**2,086**	2,113
– Clearing house (Note ii)	**1,206**	1,673
Trade receivables from asset management business	**30**	111
Trade receivables from corporate finance advisory business, net of accumulated allowance for ECL	**303**	544
Brokers receivables	**84**	77
Deposits, prepayments and other receivables	**1,584**	1,892
	54,506	67,538

Notes:

(i) As at 31 December 2022, loans to securities margin clients are secured by clients' pledged securities with fair value of HK$147,373,000 (2021: HK$242,278,000). The loans are repayable on demand and carry interest typically at Hong Kong prime rate +3% to +10% 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 repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of brokerage business of securities margin financing.

During the year ended 31 December 2022, two (2021: one) loans to securities margin clients with gross carrying amount of HK$7,057,000 (2021: HK$16,744,000) was reclassified from Stage 1 (initial recognition) to Stage 3 (credit-impaired), as the securities margin clients failed to repay or provide additional collateral when the eligible margin value of the securities fell below the outstanding amount of the loans for more than 90 days.

At 31 December 2022, loans to securities margin clients with gross carrying amount of HK$25,372,000 (2021: HK$16,744,000) have been classified as Stage 3 (credit-impaired). These margin loans were secured by pledged securities with fair value of HK$4,991,000 (2021: HK$9,595,000) and accumulated allowances for ECL of HK$20,381,000 (2021: HK$7,149,000) have been provided.

(ii) The normal settlement terms of accounts receivables from cash clients and clearing house are two trading days after trade date. As at 31 December 2022, accounts receivables from cash clients were HK$2,086,000 (2021: HK$2,113,000). Accounts receivables from cash clients which are neither past due nor impaired represent unsettled client trades on securities exchange transacted on the last two business days prior to the end of the reporting period.

Further details of ECL assessment on trade and other receivables are set out in note 38(b).

23. LOAN RECEIVABLES

	2022 HK$'000	2021 HK$'000
Fixed-rate loan receivables	**291,668**	304,050
Accrued interest receivables	**19,156**	17,971
Less: accumulated allowance for ECL	**(274,675)**	(161,700)
	36,149	160,321
Analysed as		
Current	**36,149**	160,321

The range of interest rate on the Group's loan receivables are ranged from 8% to 15% per annum (2021: 7.42% to 15% per annum). The loans are respectively repayable in two to six years (2021: one to five years) from the drawdown date. Pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrowers in full before the maturity of the loans.

At 31 December 2022, the net carrying amount of loan receivables amounting to HK$16,456,000 are secured and guaranteed (2021: HK$24,110,000 were secured and HK$22,947,000 were guaranteed) and HK$19,693,000 (2021: HK$113,264,000) are unsecured and unguaranteed.

Further details of ECL assessment on loan receivables are set out in Note 38(b).

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of money lending.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Listed investments held for trading (Note)		
– Equity securities listed in Hong Kong	**11,847**	17,487

Note: The fair value was based on the quoted prices of the respective securities in active markets for identical assets.

At 31 December 2022 and 2021, no financial assets at fair value through profit or loss have been pledged as security.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its brokerage and asset management business. The Group has classified the clients' monies as bank trust account balances under the current assets section in the consolidated statement of financial position and recognised the corresponding payable to the respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

26. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.15% to 0.35% (2021: 0.15% to 0.35%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2022	2021
	HK$'000	HK$'000
United States dollar ("**US$**")	**17**	9
Renminbi ("**RMB**")	**26**	15

27. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	HK$'000
Accounts payables from brokerage business:		
– Margin clients	**4,488**	4,095
– Cash clients	**11,025**	15,343
– Clearing house	**1,237**	1,210
Trade payables from asset management business	**46**	217
Accruals	**5,805**	1,979
Interest payable	**658**	658
Tenant deposits received	**848**	1,120
Other payables	**2,603**	4,588
	26,710	29,210

For the brokerage business, the normal settlement terms of accounts payables to clients, clearing house and broker(s) are two trading days after trade date. No aging analysis is disclosed for the accounts payables from the brokerage business as, in the opinion of directors of the Company, the aging analysis does not give additional value in view of the nature of brokerage business.

28. OTHER BORROWING

At 31 December 2022, the unsecured other borrowing amounting to HK$100,000,000 (2021: HK$100,000,000) is guaranteed by Mr. Cheung Kwok Wai, Elton, an executive director of the Company, and interest bearing at a fixed rate of 8% per annum (2021: 8%) payable monthly. The majority of the proceeds were used to finance the working capital of money lending business.

During the year ended 31 December 2022, the Company entered into a supplemental agreement with the finance company to extend the repayment date of the unsecured other borrowing to 10 November 2023. Save and except for the extension of the repayment date, all terms and conditions of the loan agreement remain unchanged and continue in full force and effect.

During the year ended 31 December 2021, the Company entered into a supplemental agreement with the finance company to extend the repayment date of the unsecured other borrowing to 11 November 2022. Save and except for the extension of the repayment date, all terms and conditions of the loan agreement remained unchanged and continue in full force and effect.

29. FINANCIAL GUARANTEE CONTRACT

As disclosed in note 19, the Company issued financial guarantee to the bank in respect of the bank borrowings granted to Safe2Travel. Subsequent to disposal of the Harvest Well Group, including Safe2Travel (note 35), the Group has repaid installment payments amounted to SG$1,067,000 (equivalent to approximately HK$6,168,000) in fulfilling obligation as financial guarantor during year ended 31 December 2021. Accordingly, a loss on financial guarantee contract amounted to HK$6,168,000 was recognised in profit or loss for the year ended 31 December 2021.

At 31 December 2021, the aggregate outstanding amount under financial guarantee issued to the bank in respect of the bank borrowing granted to Safe2Travel that the Group could be required to be paid amounted to SG$1,246,000 (equivalent to approximately HK$7,209,000) if the guarantees were called upon in entirety. Since the directors are of the view that the financial guarantee contract became credit-impaired, an allowance for ECL of HK$7,209,000 in respect of the remaining outstanding liabilities under financial guarantee contract was recognised during the year ended 31 December 2021.

During the year ended 31 December 2022, the Company extended the repayment date of outstanding amount under the financial guarantee contract. The Group has paid an extension fee and additional interests amounted to SG$51,000 (equivalent to approximately HK$290,000), which was recognised in profit or loss for the year ended 31 December 2022.

At 31 December 2022, the aggregate outstanding amount with additional interest amount to SG$18,000 (equivalent to approximately HK$106,000) under the financial guarantee that the Group was required to pay, after taking into account of repayment of SG$417,000 (equivalent to approximately HK$2,385,000) by the Group during the year ended 31 December 2022, amounted to SG$847,000 (equivalent to approximately HK$4,930,000) if the guarantee was called in entirety. Since the directors are of the view that the financial guarantee contract remained as credit-impaired, an allowance for ECL of HK$106,000 in respect of the remaining outstanding liabilities under the financial guarantee contract was further recognised during the year ended 31 December 2022.

Details of the ECL assessment on financial guarantee contract are set out in note 38(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. DEFERRED TAX ASSETS

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

	Allowance for ECL HK$'000
At 1 January 2021	14,089
Charge to profit or loss (note 10)	(1,683)
At 31 December 2021 and at 1 January 2022	12,406
Charge to profit or loss (note 10)	(12,406)
At 31 December 2022	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$389,885,000 (2021: HK$179,166,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profits stream.

At 31 December 2022, the Group has deductible temporary differences of approximately HK$4,263,000 (2021: HK$1,875,000) in respect of the depreciation of property, plant and equipment and allowance for ECL on loan receivables. No deferred tax asset has been recognised in relation to such deductible temporary differences as, in the opinion of the directors of the Company, it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. CONVERTIBLE BONDS

On 12 November 2020, the Company issued a new 8% two-year convertible bonds (the "**Convertible Bonds**") with principal amounting of HK$60,000,000.

The Convertible Bonds was denominated in Hong Kong dollars, and entitled the holders to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Bonds and the fifth business days prior to 11 November 2022 at a conversion price of HK$0.071 per conversion share. If the Convertible Bonds had not been converted, they would be redeemed on the maturity date at par. Interest of 8% per annum would be paid annually in arrears up until the settlement date.

The conversion price would be, from time to time, subject to adjustment upon occurrence of (i) consolidation, sub-division, re-classification of shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) offer of for subscription by way of a rights issue, an open offer or a grant of any securities, options or warrants to subscribe for new shares, at a price per new share which is less than market price at the date of the announcement of the terms of such offer or grant; (v) issue of shares at less than market price at the date of the announcement of the terms of such issue.

No adjustment shall be made to the conversion price in any case in which the amount by which the same would be reduced in accordance with certain provisions would be less than 1% and any adjustment that would otherwise be required then to be made shall not be carried forward.

If any adjustment made to the conversion price would require the Company to allot and issue shares in excess of 852,573,410 unissued shares under the general mandate granted to the directors, the holders would be entitled to convert up to the maximum of 852,573,410 conversion shares and all remaining portion of the principal amount will be redeemed on a dollar-to-dollar basis plus interest accrued on the conversion date of the Convertible Bonds. The Company had the right to redeem part or all of the outstanding Convertible Bonds by giving to the holders of the Convertible Bonds a redemption notice not less than seven business days at any time from the issue date but before the maturity date.

The conversion options were not derivatives that could be settled by exchange of a fixed amount of cash or another asset for a fixed number of the Company's own shares as they contain the feature designed to protect the holders of Convertible Bonds from adverse movements in share price at the expense of the existing ordinary shareholders. The Company had designated the whole Convertible Bonds that contained the debt component, derivative components of holder's conversion option and issuer's early redemption option as financial liabilities at fair value through profit or loss and initially recognised the Convertible Bonds at fair value. The fair value of Convertible Bonds at initial recognition was determined by aggregating the fair values of (i) the present value of contractual future cash flows, represented by the 8% coupon payments per annum, discounted at the effective interest rate of 11% per annum, taking into account the credit standing of the Company and the remaining time to maturity; and (ii) the conversion option and the issuer's early redemption option. The Company might at any time from the issue date but before the maturity date redeem part or all of the outstanding Convertible Bonds principal and accrued interests.

In subsequent periods, the Convertible Bonds were measured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of Convertible Bonds were charged to profit or loss.

As a result of share consolidation effective on 14 April 2021, the conversion price of HK$0.071 per conversion share was adjusted to HK$0.71 per conversion share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. CONVERTIBLE BONDS *(Continued)*

On 7 May 2021, the Company received the conversion notices from the holder of the Convertible Bonds for the exercise of its conversion rights to convert the entire outstanding principal amount of the Convertible Bonds of HK$60,000,000 into 84,507,042 ordinary shares of HK$0.10 each of the Company at the adjusted conversion price of HK$0.71 per share (the "**Conversion**").

The Company allotted and issued the 84,507,042 ordinary shares of HK$0.10 each to the holder of the Convertible Bonds on 12 May 2021. The ordinary shares allotted and issued by the Company upon the Conversion rank pari passu in all respects with, and within the same class as, the shares in issue upon the date of the Conversion. After the Conversion, there are no outstanding Convertible Bonds in issue. Details of which are set out in the Company's announcement dated 12 May 2021.

The Convertible Bonds was measured at fair value using the Binomial Option Pricing Model at date of conversion. The inputs into the model as at 7 May 2021 are as follows:

	7 May 2021 (Date of conversion)
Share price	HK$1.850
Conversion price	HK$0.71
Expected volatility	50%
Dividend yield	0%
Option life	1.51 years
Discount rates	11%

The valuation of the Convertible Bonds was determined with the assistance of APAC Appraisal and Consulting Limited, an independent qualified professional valuer not connected to the Group.

The movement of the Convertible Bonds and for the year ended 31 December 2021 is set out as below:

	HK$'000
At 1 January 2021	60,658
Change in fair value	96,338
Conversion of convertible bonds	(156,338)
Coupon interest paid/payable	(2,315)
Interest charge (note 9)	1,657
At 31 December 2021	–

32. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2021	180,000,000,000	1,800,000
Share consolidation (Note)	(162,000,000,000)	–
At 31 December 2021, at 1 January 2022 and at 31 December 2022	18,000,000,000	1,800,000
Issued and fully paid:		
At 1 January 2021	4,262,867,050	42,629
Share consolidation (Note)	(3,836,580,345)	–
Conversion of convertible bonds (note 31)	84,507,042	8,450
At 31 December 2021, at 1 January 2022 and at 31 December 2022	510,793,747	51,079

Note:

As announced by the Company on 23 March 2021, the Company proposed to implement a share consolidation (the "**Share Consolidation**") by consolidating every ten issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company into one ordinary share of HK$0.10 each, ranked *pari passu* in all respect with each other. Details of the Share Consolidation are set out in the circular of the Company dated 23 March 2021.

The ordinary resolution approving the Share Consolidation was passed at the extraordinary general meeting of the Company held on 12 April 2021 and the Share Consolidation became effective on 14 April 2021.

33. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a new share option scheme to replace the share option scheme adopted on 19 May 2011 pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 24 June 2021. The purpose of the share option scheme is to enable the Company to grant options to selected eligible participants who include employees and directors of the Company and its subsidiaries as incentives or rewards for their contribution or potential contribution to the Group. Under the share option scheme, the option period during which a share option may be exercised shall be determined and notified by the directors of the Company to the grantee and in any event shall not exceed ten years from the date of grant. The maximum number of shares which may be issued upon exercise of all options may be granted at any time under the share option scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed such number of shares as equals 10% of the issued share capital of the Company as at the date of the approval of the share option scheme (the "**Scheme Mandate Limit**"), without prior approval from the Company's shareholders. The Company may seek approval by the shareholders of the Company in general meeting to refresh the Scheme Mandate Limit under the share option scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The exercise price is determined by the directors of the Company, and is not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant.

No share options were granted during the years ended 31 December 2022 and 2021. No share options were outstanding as at 31 December 2022 and 31 December 2021.

34. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "**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 the lower of HK$1,500 or 5% of relevant salaries and allowances to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group's subsidiary in Singapore are members of the Central Provident Fund Scheme ("**CPF Scheme**"), a state-managed retirement benefit scheme operated by the Singapore Government. The Group is required to contribute ranging from 13% to 17% of payroll costs to the Central Provident Fund Scheme to fund the benefit. The only obligation of the Group with respect of the Central Provident Fund Scheme is to make the specific contributions. Contributions to the national pension scheme are recognised as an expense in the period in which the related service is performed.

The total expense recognised in profit or loss of approximately HK$313,000 (2021: HK$779,000) represents contributions payable to the MPF Scheme (2021: MPF Scheme and CPF Scheme) by the Group at rates specified in the rules of the plans in respect of the year ended 31 December 2022. As at 31 December 2022, no contributions (2021: contributions of HK$17,000) due in respect of the respective year ended had not been paid over to the plans.

35. DISPOSAL OF SUBSIDIARIES

The Harvest Well Group

During the year ended 31 December 2021, the Group entered into a sale and purchase agreement to dispose of its entire equity interests in Harvest Well at a consideration of HK$1 as adjusted by the mechanisms of Outcome Sharing Adjustment (as defined below), if any, respectively. The disposal was completed on 30 August 2021.

Pursuant to the sale and purchase agreement relating to the disposal of the entire equity interests in Harvest Well, if the purchaser successfully recovers any value in the assets of the Harvest Well Group subsequent to the completion of the disposal, any proceeds recovered shall be distributed between the Group and the purchaser in the proportions of 70% to 30% (the "**Outcome Sharing Adjustment**").

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

The Harvest Well Group *(Continued)*

	HK$'000
Consideration received:	
Cash received	–*

* Amount less than HK$1,000.

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	200
Right-of-use assets	9,739
Trade and other receivables	28,105
Bank balances and cash	1,228
Trade and other payables	(31,500)
Contract liabilities	(1,070)
Tax payables	(93)
Lease liabilities	(9,697)
Bank borrowings	(12,915)
Net liabilities disposed of	(16,003)

	HK$'000
Gain on disposal of subsidiaries:	
Consideration received	–*
Net liabilities disposed of	16,003
Reclassification of cumulative exchange reserve upon disposal of subsidiaries	(15,889)
Gain on disposal	114

	HK$'000
Net cash outflow arising on disposal	
Cash consideration	–*
Less: bank balances and cash disposed of	(1,228)
	(1,228)

* Amount less than HK$1,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36. PLEDGE OF ASSETS

As at 31 December 2022, the Group's investment properties in Hong Kong with carrying amount of HK$162,200,000 (2021: HK$167,200,000) have been pledged to secure the bank borrowings of Safe2Travel (note 19). The bank borrowings owed by Safe2Travel were also secured by the assignment of rental proceeds deriving from these investment properties to the bank.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the other borrowing disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs or raising of new debt.

As at 31 December 2022, the Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 56% (2021: 29%).

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
– Held for trading	**11,847**	17,487
Financial assets at amortised cost	**134,233**	278,233
	146,080	295,720
Financial liabilities		
Financial liabilities at amortised cost	**126,710**	129,210
Financial guarantee contract	**4,930**	7,209
	131,640	136,419

b. Financial risk management objectives and policies

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

Certain subsidiaries of the Group have monetary assets denominated in foreign currencies which mainly included bank balances, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2022	2021
	HK$'000	HK$'000
US$	**17**	9
RMB	**26**	15

	Liabilities	
	2022	2021
	HK$'000	HK$'000
SG$	**4,930**	7,209

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the functional currencies of each group entity against the above foreign currencies. 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 outstanding foreign currency denominated monetary items other than the items denominated in US$ as the directors consider that the Group's exposure to US$ is insignificant on the ground that HK$ is pegged to US$ in view of the insignificant amount involved. A negative number below indicates an decrease in post-tax loss were the functional currency of each group entity to strengthen 5% (2021: 5%) against the relevant currencies. For a 5% (2021: 5%) weakening of functional currency of each group entity against the relevant currencies, there would be an equal and opposite impact on the post-tax loss and the balances below would be positive.

	2022	2021
	HK$'000	HK$'000
RMB	**1**	1
SG$	**(247)**	(360)

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate loan receivables (note 23) and bank balances (note 26). The Group's cash flow interest rate results mainly from the fluctuations of market interest rates. The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (note 23) and other borrowing (note 28). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2022 **HK\$'000**	2021 HK\$'000
Interest revenue		
Financial assets at amortised cost	**20,285**	34,082
Other income		
Financial assets at amortised cost	**2**	–
Total interest income	**20,287**	34,082

Interest expense on financial liabilities not measured at FVTPL:

	2022 **HK\$'000**	2021 HK\$'000
Financial liabilities at amortised cost	**8,000**	10,441

No sensitivity analysis is presented as the management considers that the exposure of cash flow interest rate risk arising from variable-rate loan receivables and bank balances is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Equity and other price risks management

The Group is exposed to equity and other price risks through its investments in listed equity securities measured at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and other price risks are mainly concentrated in listed equity securities quoted in open markets.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% (2021: 10%) higher/lower, the post-tax loss for the year ended 31 December 2022 would decrease/increase by HK$989,000 (2021: HK$1,460,000) as a result of the changes in fair value of financial assets at FVTPL.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, loan receivables, bank trust account balances and bank balances. The Group applies simplified approach to measure allowance for ECL on trade receivables from travel business, accounts receivables from brokerage business on cash clients and brokers, trade receivables from asset management business and corporate finance advisory business; and general approach to measure allowance for ECL on loan receivables and loan interest receivables, account receivables from brokerage business on securities margin clients, other receivables, bank trust account balances and bank balances. Under the simplified approach, the Group measures the allowance for ECL at an amount equal to lifetime ECL. Under the general approach, the Group applies the "3-stage" impairment model for ECL measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECL for financial instruments in Stage 1 are measured at an amount equivalent to 12m ECL whereas the ECL for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECL.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effect. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables

The services provided by the Group's money lending segment principally include loan financing targeted at both high net worth individual customers, private and listed enterprises, which are usually referred to the Company. The major means of customer solicitation are referrals by business acquaintances of the Group.

The Group has developed a credit policies and procedures manual for its money lending business. The credit policies and procedures manual specifies the Group's credit policy towards its money lending business, the risk management of the Group's money lending business, and the credit procedures for the Group's money lending business, which include, among others, the loan application, credit processes and procedures, and portfolio planning, management and reporting. All new customers of the Group are subject to loan application procedures, which include customer due diligence, reference check for credit and character, and financial background check. The following internal control procedures are put in place:

(i) Credit risk assessment of customers

The internal control procedures for credit risk assessment of the customers of the Company's money lending segment include: (a) the conducting of background searches on the customer, the security providers (if any) and their assets; (b) the request for and the reviewing of financial reports of the customer (if the customer is a company) or companies owned by the customers or the financial position of the customer (if the customer is an individual); (c) the checking of market value of properties and shares owned by the customer and security providers; (d) calculation of the loan-to-value ratio for the customer and security providers; and (e) for loan renewal applications, considering the repayment behaviour of each individual and corporate customer.

(ii) Mechanism in determining terms of loans

The loan terms of the Company's money lending segment are determined by the negotiation between the Group (as lender) and the customer (as borrower). The interest rates quoted by the Group are normally several hundred basis points over the prevailing prime rate quoted by retail banks in Hong Kong. The loan tenure quoted by the Group would normally depend on the individual customer's requirements, subject to loan renewals by mutual consent. In considering loan applications, the Group would normally explore the possibility of getting collateral/guarantee from the customer during the loan negotiation process but depending on the attitude/response of the customer, the Group adopted a pragmatic approach to maintain its competitiveness. To ensure the terms are fair and reasonable and at normal commercial terms, the Group would normally only grant loans at interest rate of several hundred basis points over the prevailing prime rate quoted by retail banks in Hong Kong.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

(iii) Approval process for granting loans

The Group requires its loan applicants to complete a loan application form, a Know Your Customer questionnaire and a personal financial information form. The officers would seek to verify the information provided by the loan applicants with the supporting documents provided by them, and submit the loan application and their analysis to the responsible directors for approval. Following the responsible directors' approval, the officers would calculate the size tests for the approved loan application and to check with the connected person and related party control list to ensure that the loan applicant has no connection with the Company. Depending on the results of the size test calculations, the officers would present any loan files constituting notifiable transactions under Chapter 19 of the GEM Listing Rules to be tabled at the board meeting for approval by the board of directors of the Company. The officers have already compiled a set of template loan documentation for signing by the loan applicant. Announcements will be prepared by the officers, if the grant of a loan constitutes a notifiable or connected transaction under the GEM Listing Rules. If the grant of a loan does not constitute a notifiable or connected transaction under the GEM Listing Rules, the grant of the loan is only required to be approved by the executive board of the Company, comprising the Company's executive directors.

(iv) Monitoring loan repayment

A monthly repayment schedule would be prepared by the officers to assist the responsible directors to monitor the contractual payment records of each customer. Any delay in interest or principal payment would be brought to the attention of the responsible directors. A more detailed loan monitoring process would be performed twice every year, normally at the time of interim and annual financial reporting. Normally, updated information would be requested from the customers to identity any signs of deterioration, and any signs of deterioration would be reported to the responsible directors to formulate the debt recovery strategy. Debt recovery strategies cover a wide range of actions depending on the circumstances of each case, but would normally include one or more of the following electives: (a) immediate partial repayment; (b) the addition of further collateral/guarantees; (c) reduction of the outstanding principal amount; (d) revised repayment schedule; and (e) increase of interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

(v) Actions for recovering problem loans

The Group would normally contact the customers to understand the reason for each overdue payment. Normally, if the customers can come up with credible explanations and can offer feasible solution in positive attitude, the Group would be more prepared to work out a solution to handle the case along the lines of the various combinations of actions mentioned in paragraph (iv) above. If the customers take an evasive attitude or if the financial deterioration is drastic and irreversible, the Group would have no choice but to consider the appointment of collection agencies and to contact lawyers to instigate legal or enforcement actions against the customers as last resort.

The directors consider that the above internal control procedures significantly reduce the Group's credit risk.

The board of directors is responsible to ensure the credit policies and procedures manual is appropriate to the market needs and the procedures as set out in the manual are strictly followed and carried out by the staff. The board of directors has appointed APAC Compliance Consultancy and Internal Control Services Limited, an independent firm of professional accountants, to conduct independent review on adequacy and effectiveness of the risk management and internal control systems of the Group's money lending business.

For internal credit risk management, the Group considers a loan receivable as stage 2 when its credit risk increases significantly since initial recognition if (i) the repayment of principal and/or interest has been overdue for more than 30 days, and (ii) the principal, accrued interest, and/or future interest of the loan may not be fully secured by the fair value of the collateral at its prevailing market price. The Group considers a loan receivable as stage 3 when it is credit-impaired if (i) the repayment of principal and/or interest has been overdue for more than 90 days, and (ii) the collection of principal and/or interest in full is improbable after taking into account the fair values of the collateral at prevailing market price.

The Group performed credit risk assessment of each customer to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the cash inflow that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the date of initial recognition.

In determining the recoverability of the loan receivables, the Group will consider the change in the credit quality of the loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the customers, such as past due information or default in payments, and the market value of the collaterals pledged to the Group.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

The following table provides information about the Group's exposure to credit risk and accumulated allowance for ECL on loan receivables at 31 December 2022 and 2021:

2022

Internal credit quality classification	ECL rate	Gross carrying amount HK$'000	Accumulated allowance for ECL HK$'000	Net carrying amounts HK$'000
Stage 1	0.98%	16,619	(163)	16,456
Stage 2	31.15%	28,602	(8,909)	19,693
Stage 3	100.00%	265,603	(265,603)	–
		310,824	(274,675)	36,149

2021

Internal credit quality classification	ECL rate	Gross carrying amount HK$'000	Accumulated allowance for ECL HK$'000	Net carrying amounts HK$'000
Stage 1	1.39%	90,535	(1,261)	89,274
Stage 2	31.70%	35,300	(11,190)	24,110
Stage 3	76.08%	196,186	(149,249)	46,937
		322,021	(161,700)	160,321

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

Movements in gross carrying amounts of loan and interest receivables:

	Year ended 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2022	**90,535**	**35,300**	**196,186**	**322,021**
Increase/(decrease) in loan receivables	**16,619**	**(11,911)**	**(15,905)**	**(11,197)**
Transfer from Stage 1 to Stage 2	**(40,513)**	**40,513**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(50,022)**	**–**	**50,022**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(35,300)**	**35,300**	**–**
At 31 December 2022	**16,619**	**28,602**	**265,603**	**310,824**

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2021	153,379	94,686	83,301	331,366
Increase/(decrease) in loan receivables	248	(700)	(8,893)	(9,345)
Transfer from Stage 1 to Stage 3	(63,092)	–	63,092	–
Transfer from Stage 2 to Stage 3	–	(58,686)	58,686	–
At 31 December 2021	90,535	35,300	196,186	322,021

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

Movements in accumulated allowance for ECL on loan and interest receivables:

	Year ended 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2022	**1,261**	**11,190**	**149,249**	**161,700**
Transfer from Stage 1 to Stage 2	**(1,085)**	**1,085**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(176)**	**–**	**176**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(11,190)**	**11,190**	**–**
Allowance for ECL recognised	**163**	**7,824**	**104,988**	**112,975**
At 31 December 2022	**163**	**8,909**	**265,603**	**274,675**

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2021	6,799	36,493	42,094	85,386
Transfer from Stage 1 to Stage 3	(2,927)	–	2,927	–
Transfer from Stage 2 to Stage 3	–	(27,294)	27,294	–
Allowance for ECL (reversed)/recognised	(2,611)	1,991	76,934	76,314
At 31 December 2021	1,261	11,190	149,249	161,700

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

As at 31 December 2022, the amounts of loan receivables (before accumulated allowance for ECL) from the largest customer and the five largest customers in aggregate amounted to HK$62,738,000 (2021: HK$62,738,000) and HK$260,910,000 (2021: HK$276,667,000), respectively. They accounted for 20% (2021: 19%) and 84% (2021: 86%) respectively of the loan receivables (before accumulated allowance for ECL) as at 31 December 2022.

Major terms of the outstanding loans as at 31 December 2022 and 2021 are as follows:

	Loan and interest receivables (before accumulated allowance for ECL) as at 31 December 2022 HK$'000	Accumulated allowance for ECL as at 1 January 2022 HK$'000	Allowance for ECL recognised for the year ended 31 December 2022 HK$'000	Loan and interest receivables (after accumulated allowance for ECL) as at 31 December 2022 HK$'000	Interest rate per annum	Collateral and/or guarantee obtained	Maturing on
Stage 1							
Customer J	16,619	–	(163)	16,456	Hong Kong prime rate +4%	Yes	16 May 2024
Stage 2							
Customer A	28,602	(1,085)	(7,824)	19,693	12%	No	22 May 2023
Stage 3							
Customer B (Note 1)	45,239	(176)	(45,063)	–	12%	No	22 May 2022
Customer C (Note 2)	62,738	(62,738)	–	–	9%	No	10 November 2022
Customer D (Note 3)	62,145	(39,266)	(22,879)	–	8%	Yes	24 July 2022
Customer F (Note 4)	23,240	(11,190)	(12,050)	–	10%	Yes	31 January 2024
Customer G (Note 5)	62,186	(39,239)	(22,947)	–	15%	Yes	9 April 2020
Customer H (Note 6)	2,349	(300)	(2,049)	–	12%	No	29 May 2021
Customer I (Note 7)	7,706	(7,706)	–	–	12%	Yes	5 November 2021
	265,603	(160,615)	(104,988)	–			
	310,824	(161,700)	(112,975)	36,149			

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

Notes:

1. The loan receivable from Customer B was reclassified from Stage 1 (initial recognition) to Stage 3 (credit-impaired) as Customer B has failed to repay the outstanding principal amount of HK$48,000,000 and accrued and unpaid interest thereon as they fell due in May 2022. Subsequently, Customer B paid HK$1,514,000 and HK$5,115,000 to the Group in August and October 2022 respectively as partial repayment of the loan and interest payment. The Group is currently in negotiation with Customer B regarding the settlement arrangement.

2. Customer C has failed to pay the interest on the loan in the principal amount of HK$63,000,000 since February 2022 and the principal amount in November 2022. The Group was engaged in negotiations with Customer C on the repayment of the loan with a view to entering into a binding settlement agreement, and the negotiation is still ongoing up to the date of this report.

3. Customer D has failed to pay the interest on the loan in the principal amount of HK$58,000,000 since May 2021. In January 2022, the Group obtained a corporate guarantee provided by a company incorporated in the People's Republic of China (the "**PRC**") to guarantee all of her repayment obligations of the loan under the loan agreement. The major asset of the corporate guarantor is a commercial property located in the PRC. Thereafter, the Group commenced legal action against the corporate guarantor in an arbitration court in the PRC with a view to recovering the loan receivables. At the first court hearing which was held on 16 March 2023, the Group entered into a mediation agreement with the corporate guarantor relating to the settlement of the outstanding principal amount together with the accrued and unpaid interest thereon.

4. The loan receivable from Customer F was reclassified from Stage 2 (significant increase in credit risk) to Stage 3 (credit-impaired) as Customer F did not repay the outstanding principal amount of a loan of HK$35,300,000 as it fell due in May 2022. The Group entered into a deed of settlement with Customer F for a settlement plan of the outstanding principal amount (the "**Settlement Amount**"), of which HK$7,060,000 was repaid on 30 May 2022 and the remaining outstanding balance of HK$28,240,000 would be settled by four instalments in 20 months commenced from 1 June 2022. In consideration of the Group agreeing to enter into the deed of settlement, (i) a wholly-owned subsidiary of Customer F has undertaken to pay 70% of the revenue generated from its corporate services business within 30 days after actual receipt of payment in respect of such revenue for settlement of the same amount of the Settlement Amount unless and until the Settlement Amount is fully settled; and (ii) another wholly-owned subsidiary of Customer F has undertaken to pay 80% of all of its revenue (excluding certain revenue as defined in the deed of settlement) actually received by it within 30 days after actual receipt of the payment in respect of such revenue for settlement of the same amount of the Settlement Amount unless and until the Settlement Amount is fully settled. Subsequent to the date of the deed of settlement, Customer F settled HK$5,000,000, HK$164,000 and HK$164,000 in November 2022, January and February 2023 respectively and paid the accrued interests in accordance with the terms of the deed of settlement.

5. Customer G failed to repay the outstanding principal amount of the revolving loan facilities of HK$55,000,000 and the accrued and unpaid interest thereon as they fell due in April 2020. The Group commenced civil proceedings in the PRC against Customer G and the guarantor in September 2020 to recover the outstanding principal amount together with the accrued and unpaid interest thereon. The court hearing was held and the court handed down the judgement in favour of the Group on 22 December 2021. The guarantor has lodged an appeal against the judgement at one stage, causing a temporary delay to the enforcement process, but the Group was advised by its PRC legal advisers in December 2022 that the Group's enforcement action can now continue. Currently, the PRC legal advisers of the Group are in the process of preparing the legal documents for execution of the judgement of the court.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables and loan interest receivables (Continued)

Notes: *(Continued)*

6. Customer H failed to repay the outstanding principal amount of a loan of HK$2,000,000 and the accrued and unpaid interest thereon as they fell due in May 2021. Customer H has an investment portfolio of listed equity securities (the "**Listed Shares**") maintained at Global Mastermind Securities Limited, a wholly-owned subsidiary of the Company engaging in the provision of securities services. He had given an undertaking to the Group, pursuant to which he agreed he will dispose of whole or part of the Listed Shares to repay his loan owned to the Group in the event of default. The Group is currently negotiating with Customer H with the view to disposing of the Listed Shares to repay the outstanding principal amount and the accrued and unpaid interest thereon.

7. Customer I failed to pay the accrued interest since May 2020. The revolving loan facilities of HK$19,000,000 granted to him were secured by a first legal charge over a commercial property. During the year ended 31 December 2021, the Group took possession of the commercial property and sold it to an independent third party to recover HK$15,497,000 of the outstanding principal amount. In March 2023, a writ of summons was issued against Customer I, demanding the repayment of the remaining outstanding principal amount of the loan of HK$3,502,000 together with the accrued and unpaid interest thereon.

	Loan and interest receivables (before accumulated allowance for ECL) as at 31 December 2021 HK$'000	Accumulated allowance for ECL as at 1 January 2021 HK$'000	Allowance for ECL reversed/ (recognised) for the year ended 31 December 2021 HK$'000	Loan and interest receivables (after accumulated allowance for ECL) as at 31 December 2021 HK$'000	Interest rate per annum	Collateral and/or guarantee obtained	Maturing on
Stage 1							
Customer A	40,513	(2,218)	1,133	39,428	12%	No	22 May 2022
Customer B	50,022	(1,621)	1,445	49,846	12%	No	22 May 2022
One ex-customer	–	(33)	33	–			
	90,535	(3,872)	2,611	89,274			
Stage 2							
Customer F	35,300	(9,199)	(1,991)	24,110	10%	Yes	9 May 2022
Stage 3							
Customer C	62,738	(2,927)	(59,811)	–	9%	No	10 November 2022
Customer D	61,208	(27,294)	(11,972)	21,942	8%	No	24 July 2022
Customer G	62,186	(41,831)	2,592	22,947	15%	Yes	9 April 2020
Customer H	2,348	(263)	(37)	2,048	12%	No	29 May 2021
Customer I	7,706	–	(7,706)	–	12%	Yes	5 November 2021
	196,186	(72,315)	(76,934)	46,937			
	322,021	**(85,386)**	**(76,314)**	**160,321**			

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Accounts receivables from brokerage business, asset management business and corporate finance advisory business (included in trade and other receivables)

For accounts receivables from brokerage business related to cash clients and clearing house, asset management business and corporate finance advisory business the Group's credit risk exposure is spread over a number of customers. Accordingly, the Group has no significant concentration of credit risk on a single customer in this respect. The management performs periodic evaluations and customer reviews to ensure the Group's exposure to bad debts is not significant. The experience in the collection of accounts receivables falls within the expectation of the directors. In respect of amounts due from clients of the brokerage business, asset management business and corporate finance advisory business, individual credit evaluations are performed on all clients (including cash and margin clients). Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

To reduce credit risk, the Group requests collateral from individual margin client and the value of such collateral has to be maintained at certain level in proportion to the outstanding balance due from the margin client ("**collateral ratio**"). In addition, the Group has formulated certain credit policy procedures for monitoring trading activities and level of securities collateral of margin clients in particular for those margin clients whose collateral ratio has reached alarming level. The Group has also implemented procedures for monitoring the value of the securities collaterals, closely monitoring the volatility of the market prices of the securities collateral taking into consideration of their current market prices and historical price movements, latest information and news of the related listed companies and other relevant factors regarding the financial market that may have impact on the market prices of the securities collateral.

During the year ended 31 December 2022, two (2021: one) loans to securities margin clients with gross carrying amount of HK$7,057,000 (2021: HK$16,744,000) was reclassified from Stage 1 (initial recognition) to Stage 3 (credit-impaired), as the securities margin clients failed to repay or provide additional collateral when the eligible margin value of the securities fell below the outstanding amount of the loans for more than 90 days.

As at year ended 31 December 2022, loans to securities margin clients with an aggregate gross carrying amount of HK$25,372,000 (2021: HK$16,744,000) is determined to be credit-impaired (i.e. Stage 3 – Lifetime ECL), because they were overdue for more than 90 days. These margin loans were secured by pledged securities with fair value of HK$4,991,000 (2021: HK$9,595,000). Allowance for ECL of HK$13,232,000 (2021: HK$7,149,000) has been provided to reduce the carrying amount of margin loan to fair value of pledged securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Accounts receivables from brokerage business, asset management business and corporate finance advisory business (included in trade and other receivables) (Continued)

Except disclosed above, as at 31 December 2022 and 2021, in the opinion of the directors, fair value of collaterals is sufficient to mitigate the credit risk in margin financing.

As at 31 December 2022, the directors considered that trade receivable from corporate finance advisory business with gross carrying amount of HK$50,000 (2021: HK$50,000) is credit-impaired and accumulated allowance for ECL of HK$50,000 (2021: HK$50,000) was recognised.

The credit risk of trade receivables from the clearing house is considered to be minimal. Hence, no allowance for ECL was made since the directors consider the probability of default is minimal after assessing its financial background and creditability.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience, and assessed that the expected loss rate for the other receivables was immaterial. Thus, no allowance for ECL on other receivables was recognised as at 31 December 2022 and 2021.

Bank trust account balances and bank balances

The management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and the management does not expect so in the future.

Financial guarantee contract

At the end of the reporting period, the maximum amount the Group has guaranteed under the respective financial guarantee contract is SG$847,000 (equivalent to approximately HK$4,930,000) (2021: SG$1,246,000 (equivalent to approximately HK$7,209,000)) represents the maximum amount the Group has guaranteed under the contract. The management has performed ECL assessment on financial guarantee contract using general approach. Since Safe2Travel under the financial guarantee contract had adverse financial position, the management concluded that the financial guarantee contract became credit-impaired. Accordingly, the allowance for ECL on financial guarantee contract issued by the Group is measured at an amount equal to lifetime ECL. Allowance for ECL of HK$106,000 (2021: HK$7,209,000) was recognised during the year ended 31 December 2022. Details of the financial guarantee contract are set out in note 29.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

The basis for preparation on a going concern basis

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major lenders to meet its liquidity requirements in the short and longer term.

For the year ended 31 December 2022, the Group incurred a loss for the year attributable to owners of the Company from continuing operations of HK$162,815,000. The Group's bank balances and cash as at 31 December 2022 amounted to HK$31,193,000 as compared to the Group's other borrowing and liabilities under financial guarantee contract of HK$104,930,000, all of which are repayable within the next twelve months from the end of the reporting period.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and are of the opinion that the cash flow generated from operating activities and certain appropriate financing-activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest bearing borrowings and liabilities under financial guarantee contract. In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

i. taking active measures to collect loan receivables to improve operating cash flows and its financial position;

ii. In the process of negotiating with the sole lender to renew and extend the existing borrowing upon its maturity on 10 November 2023, the borrowing amounting to HK$100,000,000 with a personal guarantee given by a director of the Company to the lender to secure the repayment of the Group's borrowing (as details in note 28). In the opinion of directors, the renewal of the loan with the lender is highly probable;

iii. reviewing its investments and actively considering to realise certain financial assets at fair value through profit or loss, in order to enhance the cash flow position of the Group whenever it is necessary; and

iv. implementing an active cost-saving measures to control administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group.

The directors of the Company have carried out detail review on the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan finance which may impact the operations of the Group during the next twelve-month period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has 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 non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2022								
Trade and other payables	–	26,710	–	–	–	–	26,710	26,710
Other borrowings-fixed rate	8.00	723	1,249	105,567	–	–	107,539	100,000
Financial guarantee contract	–	–	1,330	3,600	–	–	4,930	4,930
		27,433	2,579	109,167	–	–	139,179	131,640

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2021								
Trade and other payables	–	29,210	–	–	–	–	29,210	29,210
Other borrowings-fixed rate	8.00	723	1,249	105,589	–	–	107,561	100,000
Financial guarantee contract	–	–	2,425	4,784	–	–	7,209	7,209
		29,933	3,674	110,373	–	–	143,980	136,419

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is likely that maximum amount will be payable under the arrangement.

c. Fair value measurement of financial instruments

(i) Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurement of financial instruments *(Continued)*

(i) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)
	31 December 2022 HK$'000	31 December 2021 HK$'000			
Listed equity securities classified as financial assets at FVTPL	**11,847**	17,487	Level 1	Quoted bid prices in an active market	N/A

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year ended 31 December 2022.

There were no transfers among Level 1 and 2 during the year ended 31 December 2021.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of other financial assets and financial liabilities excluding financial assets at fair value through profit or loss are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

d. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC on the same settlement date and the Group intends to set off on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients 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 is being offset, amounts due from/to HKSCC and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

d. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements *(Continued)*

At 31 December 2022

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets						
Accounts receivable from clients and clearing house	56,274	(3,769)	52,505	–	–	52,505
Deposits placed with clearing house	230	–	230	–	–	230
Advances to customers in margin financing	–	–	–	–	–	–
Financial liabilities						
Accounts payable to clients, brokers and clearing house	20,519	(3,769)	16,750	–	–	16,750
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS *(Continued)*

d. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements *(Continued)*

At 31 December 2021

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets						
Accounts receivable from clients and clearing house	417,911	(352,997)	64,914	–	–	64,914
Deposits placed with clearing house	230	–	230	–	–	230
Advances to customers in margin financing	–	–	–	–	–	–
Financial liabilities						
Accounts payable to clients, brokers and clearing house	373,645	(352,997)	20,648	–	–	20,648
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–

39. 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.

	Bank borrowings HK$'000	Convertible bonds HK$'000 (note 31)	Other borrowings HK$'000 (note 28)	Lease liabilities HK$'000	Interest payables HK$'000 (note 27)	Total HK$'000
At 1 January 2021	30,233	60,658	100,000	3,497	658	195,046
Conversion of Convertible Bonds	–	(158,653)	–	–	–	(158,653)
New leases entered	–	–	–	8,809	–	8,809
Disposal of subsidiaries (note 35)	(12,915)	–	–	(9,697)	–	(22,612)
Net financing cash flows	(16,933)	(2,315)	–	(2,594)	(8,784)	(30,626)
Chang in fair value	–	98,653	–	–	–	98,653
Interest expenses	–	1,657	–	–	8,784	10,441
Exchange adjustments	(385)	–	–	(15)	–	(400)
At 31 December 2021 and at 1 January 2022	–	–	100,000	–	658	100,658
Net financing cash flows	–	–	–	–	(8,000)	(8,000)
Interest expenses	–	–	–	–	8,000	8,000
At 31 December 2022	–	–	100,000	–	658	100,658

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. RELATED PARTY TRANSACTIONS

(a) The remuneration of directors during the year was as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**2,040**	5,790
Contribution to retirement benefits scheme	**18**	34
	2,058	5,824

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

(b) During the year, the Group entered into the following transactions with related parties:

		2022 **HK$'000**	2021 HK$'000
Related companies (Note i)	Rental income	**3,458**	4,788
	Secretarial fee and other office expenses	**–**	56
	Brokerage commission income and other service charge income	**–**	243
Subsidiaries of a substantial shareholder of the Company (Note ii)	Lease payments	**–**	1,181
	Brokerage commission income and other service charge income	**–**	47
	Advisory fee income from corporate finance	**–**	370

Notes:

(i) Mr. Mung Hon Ting, Jackie ("**Mr. Jackie Mung**"), a close family member of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan ("**Mr. Alan Mung**"), both of them are directors of the Company.

For the years ended 31 December 2022 and 2021, Mr. Alan Mung and Mr. Jackie Mung have the beneficial interests in the related companies.

(ii) These companies are wholly-owned subsidiaries of Eternity Investment Limited, a company listed on the Main Board of the Stock Exchange and a substantial shareholder of the Company. Eternity Investment Limited has ceased to have significant influence over the Company on 24 May 2021.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Issued and paid up capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities/ place of operation
			Direct		Indirect		Direct		Indirect		
			2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	
			%	%	**%**	%	**%**	%	**%**	%	
Durable Gold	BVI	Ordinary US$1	**100**	100	**–**	–	**100**	100	**–**	–	Investment holding/ Hong Kong
Famous Flamingo Limited	BVI	Ordinary US$1	**–**	–	**100**	100	**–**	–	**100**	100	Property holding/ Hong Kong
Global Mastermind Financial Services Limited	Hong Kong	Ordinary HK$1	**–**	–	**100**	100	**–**	–	**100**	100	Money lending business/Hong Kong
Global Mastermind Hong Kong Limited	Hong Kong	Ordinary HK$1	**100**	100	**–**	–	**100**	100	**–**	–	Investment holding/ Hong Kong
Global Mastermind Investment Limited	Hong Kong	Ordinary HK$8,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Asset management services/Hong Kong
Global Mastermind Securities Limited	Hong Kong	Ordinary HK$107,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Dealing in securities and advising on securities business; and providing financial advisory services/Hong Kong
Hope Master Investments Limited	BVI	Ordinary US$1	**–**	–	**100**	100	**–**	–	**100**	100	Property holding/ Hong Kong
Long Joy Investments Limited	BVI	Ordinary US$1	**100**	100	**–**	–	**100**	100	**–**	–	Treasury management/ Hong Kong

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

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

The directors consider that the non-wholly owned subsidiary of the Group that has non-controlling interests, is not material to the Group. Accordingly, the financial information of the non-wholly owned subsidiary is not separately presented in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. FINANCIAL INFORMATION OF THE COMPANY

The information about the statement of financial position of the Company at the end of reporting period is as follows:

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		1	5
Interests in subsidiaries	(a) and (e)	5,880	7,760
Amounts due from subsidiaries	(c)	110,375	113,639
		116,256	121,404
Current assets			
Prepayment and other receivables		292	279
Amounts due from subsidiaries	(d)	140,737	278,690
Bank balances and cash		4,535	3,313
		145,564	282,282
Current liabilities			
Accruals and other payables		8,213	3,691
Other borrowings		100,000	100,000
Financial guarantee contract		4,930	7,209
		113,143	110,900
Net current assets		32,421	171,382
Total assets less current liabilities		148,677	292,786
Net assets		148,677	292,786
Capital and reserves			
Share capital	32	51,079	51,079
Share premium and reserves	(b)	97,598	241,707
		148,677	292,786

42. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(a) The interest in subsidiaries represents the unlisted share measured at cost less impairment loss recognised.

(b) Share premium and reserves

	Share premium HK$'000	Capital reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	920,537	32,589	(758,037)	195,089
Loss for the year	–	–	(101,270)	(101,270)
Conversion of convertible bonds	147,888	–	–	147,888
At 31 December 2021 and at 1 January 2022	1,068,425	32,589	(859,307)	241,707
Loss for the year	–	–	(144,109)	(144,109)
At 31 December 2022	**1,068,425**	**32,589**	**(1,003,416)**	**97,598**

The distributable reserves of the Company are amounted to HK$97,598,000 (2021: HK$241,707,000).

Note: The capital reserve represented the credit arising from the capital reduction effected by the Company during the year ended 31 December 2009.

(c) The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the end of the reporting period, accordingly these amounts are classified as non-current.

(d) The amounts due from subsidiaries classified under current assets are unsecured and repayable on demand. Certain balances are interest-free and certain balances are interest bearing 8% per annum. The directors expect these amounts will be repaid within twelve months from the end of the reporting period, accordingly, these amounts are classified as current.

(e) The amounts due from subsidiaries are discounted at an effective interest rate of 5.50% per annum, representing the borrowing rates of the relevant subsidiaries, with corresponding adjustments of HK$5,880,000 (2021: HK$7,760,000) debited to investments in subsidiaries as deemed contribution to those subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. CONTINGENT LIABILITIES

During the year ended 31 December 2021, a deed of indemnity for the indemnified amount up to S$1,000,000 (equivalent to approximately HK$5,760,000) (the "**Indemnity**") was given by the Company to an insurance company, which provides financial guarantee in favour of Safe2Travel's customers of the travel business for the due performance and observance of the Safe2Travel's obligations under the contracts entered into between Safe2Travel and its customers. If Safe2Travel fails to provide satisfactory performance to its customers to whom financial guarantees have been given, such customers may demand the insurance company to pay them the sum stipulated in such demand. The Company will become liable to indemnify the insurance company accordingly. Subsequent to the disposal of Safe2Travel through the disposal of Harvest Well, the indemnity remains in full force and effect. As at 31 December 2021, as represented by the management of the Group, they did not consider it was probable that a claim would be made against the Group.

During the year ended 31 December 2022, the financial guarantee provided by the insurance company has expired and the Company's obligation under the Indemnity has been released.

44. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2021, the remaining account value from the life insurance policy of Safe2Travel of US$745,000 (equivalent to approximately HK$5,785,000) which was recognised as other receivable, has been utilised to set off against part of outstanding bank borrowings of Safe2Travel.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The notice of the 2023 annual general meeting of the shareholders of the Company will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the GEM Listing Rules during the year ended 31 December 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company established the audit committee (the "**Audit Committee**") on 19 October 2000 which currently consists of three independent non-executive Directors, namely Mr. Law Kwok Ho, Kenward (as chairman), Mr. Fung Wai Ching and Mr. Lai Hok Lim, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 and is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and any other applicable laws and has been adequately disclosed.

By Order of the Board
Global Mastermind Holdings Limited
Cheung Kwok Wai, Elton
Chairman and Executive Director

Hong Kong, 29 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cheung Kwok Wai, Elton, Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan; and three independent non-executive Directors, namely Mr. Law Kwok Ho, Kenward, Mr. Fung Wai Ching and Mr. Lai Hok Lim.

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its publication and on the Company's website at www.globalmholdings.com.